

Revenue Forecasting and Office of Economic Development

Honorable Mason K. Chock
Honorable Gary L. Hooser
Honorable Ross Kagawa
Honorable KipuKai Kualii
Honorable Mel Rapozo
Honorable JoAnn A. Yukimura
Honorable Arryl Kaneshiro

The Committee reconvened on April 5, 2016 at 9:07 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Good morning. I would like to call back to order the Budget & Finance Committee and the Fiscal Year 2016-2017 Department of Budget Reviews. On the schedule for today, we will be hearing the Department of Finance and the Budget Team will be taking us through the various areas of revenues, charges, and fees, including real property taxes. After that, we will be looking at Economic Development. As we do each morning, we will take public testimony. Anyone in the audience wishing to testify?

There being no objections, the rules were suspended to take public testimony.

There being no one to provide testimony, the meeting was called back to order, and proceeded as follows:

Committee Chair Kaneshiro: I am going to suspend the rules and Ken and Steve, do you have a presentation for us?

There being no objections, the rules were suspended.

KEN M. SHIMONISHI, Director of Finance: Thank you, Committee Chair Kaneshiro, Ken Shimonishi, Director of Finance. We have a brief presentation to outline our revenues providing a summary as well as some detailed information after. As I mentioned we will look at a revenue summary by fund, summary of the General Fund revenues, followed by the Real Property Tax area, then there was a request on providing some background and some history on the Transient Accommodations Tax (TAT), and then the review of the actual revenue line items. You should have two (2) handouts in front of you, one (1) the PowerPoint presentation and the other one (1) the multi-colored legal worksheet that actually shows all of our revenue lines that are being proposed in the budget for Fiscal Year (FY) 2017. This provides us a look at our revenue sources by fund, of course our largest fund being the General Fund at one hundred forty-five point three million dollars (\$145,300,000), almost eighty percent (80%) of the total operating revenue. The next highest fund would be our Highway Fund at fifteen point five million dollars (\$15,500,000), followed by our Sewer Fund, which is an Enterprise Fund. Solid Waste at almost eight million dollars (\$8,000,000), Golf, Housing, Liquor, and so on. This just gives you a picture of where the revenues come from in terms of our Operating Budget.

Slide 3 provides you a table showing the revenues budget by fund for FY 16, as well as what is currently proposed in FY 17, the dollar change as well as the percentage change in the last two (2) columns. Again, this is sorted in the descending fashion, so the largest funds on the top followed by the smaller funds going down. As we mentioned in the Mayor's presentation to the Council, our General Fund increased by almost six point eight million dollars (\$6,800,000), the bulk of that would be in our Real Property Tax category. Our Highway Fund shows a decrease and we can get into those areas as we go through the line items at the end.

Slide 4 provides an indication of where in the General Fund the revenue changes were made. As I mentioned, roughly six point four (6.4) in Real Property Taxes, a five point seven percent (5.7%). Other category of taxes went down by one hundred seventy-five thousand dollars (\$175,000) and that would be primarily due to the public service company tax. No business licenses going up by five hundred fifty thousand dollars (\$550,000) and a couple other small adjustments downward, overall, four point nine percent (4.9%) on the General Fund.

STEVEN A. HUNT, Real Property Tax Manager: Steven Hunt, Real Property Tax Manager, for the record. The next slide is on Real Property Taxes. First, is just a comparison of the gross assessments between the certified tax roll in FY 16 and that which was just certified in FY 17. These are assorted by category. As you can see there are about eight hundred and seventy-three million dollars (\$873,000,000), if you actually look at the math at the bottom by the rounding area it is eight seventy-four, but I have a detailed breakdown on the next slide. This shows the bulk of the changes are occurring and this is also sorted in descending order from the largest gross change to the least. As you can see the Commercial properties have grown the most at over two hundred and forty-two million dollars (\$242,000,000). This is primarily due to the improving commercial market, but also new inventory coming into the fold, including the Hokulei Shopping Village where Safeway is in Līhu'e, as well as two (2) new Longs Drugs Stores, one (1) which was only partially completed in the 2015 year. Now, it has been fully added to the roll as well as the new one (1) in the Kukui'ula Shopping Center. The next largest category is Residential. On a percentage change it is not as large, but the value of this category is very large to begin with and it also had a change of about three hundred fifty-four (354) new parcels being added. Some of that is coming from the vacation rental market where people are now heeding the cease and desist and ceasing their vacation rental operations, so they are going into Residential as the default category for residential use. We are also seeing some of the ones that were in Homestead under long-term affordable rental no longer renting at affordable rates and now are being assessed as they are in the Residential category. Residential Investor is one of the smallest categories in count, but because the threshold, the average value is much higher, being at least two million dollars (\$2,000,000) or above, a little change in this category actually adds quite a bit of value. Hotel and Resort, again this category, there was a significant number of increases, three hundred twenty-four (324) new properties added. Primarily the increase in this category was not due to the three hundred twenty-four (324) units. These were "condotel" rooms in projects like Islander on the Beach and with our administrative rules, we clarified the difference between a unit and a room and these are rooms that are being rented, so these were reclassified this year as Hotel and Resort. Where the increase is mostly coming from is now that timeshare is being one hundred percent (100%) market-valued as opposed to the incremental step up from the year before where they only recognized fifty percent (50%) of the increase based on assessing them as wholly-owned condos.

The next category is Homestead, about one hundred thirteen million dollars (\$113,000,000) up. That represents about a one point eight percent (1.8%) to the category, but it is also about a one point eight percent (1.8%) increase in the count, so we added a hundred and seventeen (117) properties to this category. It is roughly about a stable market that have not seen a great increase this year. It is just the matter that we added new inventory. Vacation Rental went up about two percent (2%) or just under fifty-five million dollars (\$55,000,000), yet the category shrunk. We moved many of the condotel rooms out into the Hotel and Resort and some of the units that are no longer operating, that have been moved into Residential, that is the primary movement in this category. Commercialized Home Use at about...just under forty million dollars (\$40,000,000), yet the category shrunk

a little bit. These properties went up a little bit in value. The next is Agriculture, under twenty-two million dollars (\$22,000,000), but saw an increase of about twenty (20) parcels, and then rounding off Industrial and Conservation, these were sort of nominal growth. Again, one new property each to these categories. Again, about just under eight hundred seventy-three million dollars (\$873,000,000) or four point three percent (4.3%) growth in gross assessed value. That represents, in total, two hundred ninety-six (296) new parcels added to the assessment role.

The next slide basically shows you based on property counts where each category lies. The largest property count is the Homestead class with eleven thousand five hundred eighty-three (11,583) properties or about thirty-four percent (34%) of the parcel counts. The next is the Residential category, which is about eight thousand nine hundred five (8,905) parcels or about twenty-seven percent (27%), and then followed by Vacation Rental, and Resort. Those are our, again, largest categories in terms of parcel counts.

The next slide shows a pie chart of the gross values. Again, the largest categories are Homestead, about six point four billion in value or about thirty percent (30%) based on the gross assessed values, followed by Residential at about five point four billion; twenty-one percent (21%), and then Vacation Rental at two point eight billion; thirteen percent (13%) of our assessed values, and then Hotel and Resort at about two point two or ten percent (10%). If you were to compare the prior slide, you will see that Residential Investor only accounts for one percent (1%) of the property count, but looking at this slide you will see that the value counts for six percent (6%). Again, because each property is so highly valued in that class, you will see quite a bit of value in that category. Next is taxes by class. While Homestead comprises about thirty percent (30%) of the value because of the preferred tax rate and exemptions, they only pay about just under thirteen million dollars (\$13,000,000) or about eleven percent (11%) of the tax roll and again this is the assumption that there is no change to the rates to Fiscal Year 2017. That would obviously change with a rate change.

The highest paying category is Residential just under twenty-seven million dollars (\$27,000,000) or about twenty-three percent (23%). Followed by Vacation Rental at about...just under twenty-five million (\$25,000,000) or twenty-one percent (21%), and then Hotel and Resort at about twenty-three and a half million dollars (\$23,500,000) or about twenty percent (20%). This slide just compares the value to tax to give you some sort of idea of proportions. As you can see, the Homestead is the one that has the most significant relief followed by Commercialized Home Use and then Residential is about on par whereas the Hotel and Resort and Vacation Rental, due to the higher rates, are obviously paying a bit more in proportion to their value. This bar chart shows the changes that account for roughly six point four million dollars (\$6,400,000) in increase. If you were to take the last two (2) categories: Commercial and Hotel and Resort, that accounts for roughly fifty-one point two percent (51.2%) or about three point three million dollars (\$3,300,000) of the increase. If you added the third category of Residential Investor—now we are up to about four point two, six, five million dollars (\$4,265,000) or about sixty-six point four percent (66.4%) of the increase. As you can see, Homestead again, only about two hundred thirteen thousand dollars (\$213,000) or about one point seven percent (1.7%) and that is primarily due to the hundred and seventeen (117) new properties added to the category.

Aggregate changes to the property taxes, again, assuming there are no changes to the current rates the estimated increase is about six point four, six million dollars (\$6,460,000) in revenue. The projected revenue includes adding two hundred and ninety-six (296) new properties to the assessment list, as well as changes between classes. They do not always stay in the same class, therefore, it is difficult to track unless you are actually doing it at the

parcel level individually what changes individual parcels may have. There were also fewer Very Low Income tax credits. I believe there are three hundred six (306) that qualified for the Very Low Income tax credit, but I believe only sixty-seven (67) benefited from it, which means they were doing better by having the income exemption and their basic home exemption than they were by paying three percent (3%) of their gross income, so that is a good thing. The exemptions are working. The other change is that we reassess properties annually. This is not to say that they all proportionally go up or go down, different segments of the market react differently, again, we track those in their neighborhoods and are monitoring what is going on in their individual neighborhoods. The total projected increase in property taxes for Fiscal Year 2017 represents about a five point seven percent (5.7%) increase over the taxes from FY 16 and about half of that increase, three point three million is attributed to solely the Commercial and Hotel and Resort classes. The Homestead tax class saw an increase of about thirteen thousand dollars (\$13,000) or about one point seven percent (1.7%). Would you like to question anything on property taxes before I move on to the transient accommodation?

Committee Chair Kaneshiro:

We will just go through it all.

Mr. Hunt:

Okay, great. Transient Accommodations Tax (TAT), as you know I was the Kaua'i representative for the working group that was assembled. There were four (4) members from the counties, four (4) members from the State, four (4) members from the Hawai'i Tourism Authority, and a retired judge representing the judiciary that oversaw the hearings. Going through a little bit of a brief history of the Transient Accommodations Tax, here is the rates and the revenues that were generated over a period of time. Again, it started at a five percent (5%) rate and then it was increased to six, and then seven and a quarter. More recently in FY 2009, it was increased to eight point two, five when revenues started to slip and then in FY 2010, it was increased to nine point two, five. Also, FY 2010, I believe, was the year that the initial County cap took effect. This slide I think is really the most telling slide of what really happened with the revenue. As you can see in FY 1987, it looks like the TAT had started really to generate promotion for the State of Hawai'i. It was all assigned to the General Fund of the State of Hawai'i, initially. That was the case up through 1990. 1991 comes along and the Counties are assigned the lion's share of the TAT. In 1992, it became ninety-five percent (95%) with a five percent (5%) administrative fee for the State. My understanding during the legislative history review on this was that there was an attempt to keep the Counties from continually raising the property tax rates on hotel and resort properties and to wean the Counties off of their request for Grant-In-Aid. In an exchange for that, ninety-five percent (95%) of the TAT was pledged to the Counties. In FY 1995, the Convention Center came on line and a portion of those revenues were diverted to support the construction and debt service for the Convention Center. In FY 1999, the Tourism Special Fund was created and that was the funding mechanism for the HTA, which has increased over time. Currently, it is running about eighty-two million dollars (\$82,000,000). There was a couple of blips where you see...I think it was in FY 2001 and 2002 where the Convention Center moneys were actually removed from the budget, but it was essentially placed in the General Fund of the State anyway, so it was likely used for that, just not earmarked, and then was later through the budget process, earmarked. That was put back in FY 2003. If we use 2000 as the comparison year, at that year FY 2000, the State General Fund was only getting about two hundred thousand dollars (\$200,000) in excess TAT funds. If we bring that out to today, the last year we did was FY 2015 and they are now over two hundred three million dollars (\$203,000,000) in contributions to the State General Fund. That is where you can see the major redistribution of funds of the TAT over time going from a two hundred thousand dollars (\$200,000) State General Fund allowance up to two hundred

three million dollars (\$203,000,000). We anticipate FY 2016 when the CAFR is done that will even be a higher figure.

Mr. Shimonishi: And if I could just add one (1) quick note here. If you look at the County's portion, which you all know, which is that white with dotted piece of the columns, that stays relatively flat compared to the growth and the revenue. Obviously, all going towards the State, so clearly, that is something that we have always had discussion about and I think disagreements on who gets what piece of the pie.

Mr. Hunt: Right. Just as a side note, too, that because we have Memorandum of Understanding (MOU's) with the State to share data, especially in relation to collections of TAT, we have vacation rentals that we know are vacation renting for tax purchases that the State may not be collecting either the GET or TAT. It is certainly not an incentive for us to continue sharing when all of that growth of reporting is going to the State. In their best interest it would seem that they would want to cooperate and share some of that income to encourage us to continue to report that information. The next slide is a comparison of expenditures. Again, the committee as we kind of went through the CAFR and the budget really tried to tie the budget to some sort of nexus to the expense of hosting visitors. We also needed to look at what our ratio of visitor was. We started with numbers, I believe, it was FY 2013 numbers from the Hawai'i Tourism Authority that indicated the number of visitors that were reported on each island, as well as their average daily stay. That was converted to basically come up with a visitors per day count that we would then add to the de facto population. If you look at the Counties, Maui County actually has the most visitors in relationship to their permanent residents, but Kaua'i is very close behind. We are a lot higher than Hawai'i County or City and County of Honolulu. While the City and County of Honolulu may have the most visitors, gross overall, in relation to their population-base, it is the smallest count whereas the Counties of Maui and Kaua'i have the greater impact of visitors in terms of proportion. Really, it is one (1) in four (4) people here on Kaua'i is a visitor.

I went through the next slide and looked at the relative spending as a percentage of the Operating Budget. Initially we went through at a very fine detail, but because the State CAFR was so complicated, they could not do the same exercise we did, so we created a grid that went through and basically used the percentage of visitors or in our case the twenty-five percent (25%) visitors that we would apply to the budget and we would either rate the relative nexus as high, which means if we had a line item for ten million dollars (\$10,000,000) and it was a high nexus, that twenty-five percent (25%) of the ten million dollars (\$10,000,000) or two point five million dollars (\$2,500,000) would be allocated to our expenditures on visitors. Then we had a moderate nexus, which took half of that number—I think it was twelve point something percent for Kaua'i and applied that to that line item. A low which was twenty-five percent (25%) of the twenty-five percent (25%), and then none which means we had certain departments or costs that we really did not have any nexus that we would incur regardless of whether one (1) visitor came to Kaua'i or not. Each County went through this exercise and came up with an estimated expenditures on visitors. Ours was a little over thirty million dollars (\$30,000,000) from our annual budget and again this was from the FY 2014 CAFR and it has probably increased since. We applied that and came up with ratios. Kaua'i by far had the highest spending in proportion to the budget. Over nineteen percent (19%) of our Operating Budget basically going to supporting our visitor industry.

The next slide just shows the current allocation of funds that we do get. As you are aware we are currently capped at one hundred and three million dollars (\$103,000,000) depending on where the legislature heads this year, it could remain at one hundred and three million dollars (\$103,000,000) or drop to ninety-three million dollars (\$93,000,000). If the bill

does not pass, but whatever the cap money is that we do get, Kaua'i's portion currently is fourteen and a half percent of that revenue. The next slide is projections both in what they consider a normal scenario and also a recession scenario and for FY 2015, four hundred and twenty-one million dollars (\$421,000,000) was the TAT revenues received. For FY 2016, they are projecting four, fifty and that is going to continue to grow under the forecast up to six hundred seventy-eight million dollars (\$678,000,000). If there is a recession, there is a drop beginning in FY 2019 and then continues on through FY 2020 and then starts slowly climbing back out, but then actually exceeds the projected revenue by 2025 if it follows the traditional recession trends as you bounce back. These were numbers provided by our Analyst that was looking at the tourism industry. Applying what the working group had concluded as the model of recommendation which was to give eighty-two million dollars (\$82,000,000) of the top to the tourism special fund to support the HTA and then take out moneys for Turtle Bay, Convention Center and the DLNR special land trust for trail maintenance. The remainder would be then divided, forty-five percent (45%) to the Counties and fifty-five percent (55%) to the State. For FY 2017, our projection would have been about one hundred and sixty-two million dollars (\$162,000,000) instead of the one hundred three million dollars (\$103,000,000) cap.

Mr. Shimonishi: As a side note, there is a little grid on the lower left. That just does a comparison between what the current cap at one hundred and three million dollars (\$103,000,000) is for the County of Kaua'i at fourteen million nine hundred thirty-five thousand dollars (\$14,935,000) versus what would we have gotten if we had applied the working group's recommendation of splitting that remainder forty-five percent (45%)/fifty-five percent (55%) and then applying the County of Kaua'i fourteen and a half percent. You can see in FY 2015, we would have gotten five point one million dollars (\$5,100,000) more. In FY 2016, seven million dollars (\$7,000,000) more and then in FY 2017, the upcoming FY, projected at roughly eight point five million dollars (\$8,500,000) more.

Mr. Hunt: These are projections because obviously you do not get that until you actually collect it, so there is some risk in being tied to a percentage if the projection for budgeting happens to be higher than the actual performance in the TAT revenues received by the State, but obviously it is a significant enough offside that the Working Group was recommending that we proceed in the direction we did. The next slide just shows the recession scenario, in FY 2020, that number goes down to one hundred and twenty-three million dollars (\$123,000,000) that would be shared by the Counties. If we do have a recession, we just have to be mindful that we cannot just project out that we are going to get moneys we do not actually have in future years. We have to do this as an annual year-by-year budgeting process. With that, we will open it up to questions.

Committee Chair Kaneshiro: Any questions on the report? Councilmember Hooser.

Councilmember Hooser: You said that twenty-five percent (25%) of the people here are visitors?

Mr. Hunt: Yes, if you were to look islandwide and annualized because obviously there are spikes in certain periods, but if you took the visitors that are actually booked as reporting having come to Kaua'i and divide that by their average length of stay, you would come up with a stabilized count of visitors and that is what was used to estimate the number of visitors.

Councilmember Hooser: So what percentage our of budget is shouldered by visitors?

Mr. Hunt: Again, we used the FY 2014 budget as the benchmark, but if we were to take twenty-five percent (25%) of our population of the island is visitors, they consume nineteen percent (19%) of our Operating Budget, roughly.

Councilmember Hooser: How much do they pay?

Mr. Hunt: It depends on whether you look at...

Councilmember Hooser: If you take all the property taxes.

Mr. Hunt: If you look at the property taxes from the two (2) major categories, which is the Hotel and Resort and the Vacation Rental, I believe it is somewhere in the neighborhood of about forty-five million dollars (\$45,000,000) or forty-two million dollars (\$42,000,000).

Councilmember Yukimura: Forty-one million dollars (\$41,000,000).

Mr. Hunt: We are projecting twenty-four point eight and twenty-three point six, so about forty-five million dollars (\$45,000,000), roughly.

Councilmember Hooser: Of?

Mr. Hunt: Forty-five million dollars (\$45,000,000) in property taxes that go into our budget to support nineteen percent (19%) of the Operating Budget.

Councilmember Hooser: What is the total budget? They are giving forty-five million dollars (\$45,000,000) out of...

Mr. Hunt: The total Operating Budget is one hundred and eighty-three.

Councilmember Hooser: One hundred and eighty-three.

Mr. Hunt: And that excludes the TAT. That is just property taxes.

Councilmember Hooser: Can you do the math for me?

Mr. Hunt: Forty-five million dollars (\$45,000,000) plus fourteen point nine...

Councilmember Hooser: So it is fifty-nine million dollars (\$59,000,000)...
Committee Chair Kaneshiro: Pretty much sixty million dollars (\$60,000,000).

Mr. Hunt: I would say sixty million dollars (\$60,000,000).

Councilmember Hooser: Sixty million dollars (\$60,000,000) out of one hundred eighty-three million dollars (\$183,000,000)...so a third.

Mr. Hunt: So that is forty-five percent (45%) of our budget.

Councilmember Hooser: Three (3) times six (6) is eighteen (18)...

Committee Chair Kaneshiro: Thirty-three percent (33%).

Mr. Hunt: Sixty (60) divided by one hundred
eighty-three (183)...

Councilmember Hooser: You want to help us out here?

Mr. Hunt: You are right, about thirty-three (33).

Councilmember Hooser: So they represent twenty-five percent (25%) of the
people and paying thirty-three percent (33%) of the budget...

Mr. Hunt: If you look at it that way, yes.

Councilmember Hooser: Okay. Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura. And I guess we are
going to go through this other worksheet later as far as licenses and permits...how do you see
this going?

Mr. Shimonishi: Yes, that has been the format or at least last year,
where we went through the revenues on a line item basis or however the Council wants to
look at it. Again, today was just the overview of the revenues, in general, details on the real
property, TAT, and then...

Committee Chair Kaneshiro: Then we will go through this after?

Mr. Shimonishi: Right.

Committee Chair Kaneshiro: Okay. We will keep the questions on this and of
course this also includes our real property taxes from the General Fund. Councilmember
Yukimura.

Councilmember Yukimura: I first want to thank you for this presentation and
for the information. It is very, very helpful. Of course, I can remember years and budget
hearings when we did not have this kind of information and it makes it much harder to make
decisions. Thank you for that. I am very impressed by what you described as the process of
determining what part of our budget is visitor related. So you have worksheets that actually
show the detailed analysis, right?

Mr. Hunt: Yes.

Councilmember Yukimura: And your conclusion is what? That County
expenditures as a shared total...or County expenditures on visitors as a share of total County
operating expenditures, that is the one, right?

Mr. Hunt: There are two (2) portions to that. Let me get to
that page.

Councilmember Yukimura: Well one (1) slide is...I cannot see the numbers.

Mr. Hunt: It would be exhibit 2-3, the nineteen point zero, six percent (19.06%).

Councilmember Yukimura: Slide 18, right?

Mr. Hunt: Okay. We went through a fund by fund analysis and used the twenty-five point one, three percent (25.13%) which was our estimated visitor to resident relationship. We applied a high moderate, or no relationship nexus to the budget and we went through fund by fund and came up...and again, this is FY 2014 with about thirty point one million dollars (\$30,100,000) in visitor expenditures in FY 2014.

Councilmember Yukimura: So another way of answering Councilmember Hooser's question is we are spending thirty million dollars (\$30,000,000) of our budget and we are getting about forty-five million dollars (\$45,000,000) from tourists.

Mr. Hunt: Even more than that when you consider the TAT, but again, what we are comparing today is proposed FY 2017 and we are looking at FY 2014 expenditures. I would assume that the ratio might not be too different, but that the costs are probably scaled up now.

Councilmember Yukimura: And we are experiencing a surge of visitors, so that part of the equation might go up. Go ahead.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: I had a question on the real property tax section. I just wanted to hear more about what measures we have taken to help taxpayers with their exemptions and getting into the right class and so forth. I know that has been a big part of an effort to assist people. Have we taken on any new programs to assist in the communication efforts and education efforts to ensure that we are supporting? I am focused and concerned most about our elder generation and that seems to be where they are hit the hardest because they are on a fixed income and a lot of this has been difficult for them.

Mr. Hunt: The people who are in the current program, especially the income-related ones, need to apply annually.

Councilmember Chock: Right.

Mr. Hunt: We have been very proactive in sending out...they actually will come in if we do not have the information available, we will take their information and send out direct mailers, so we actually have one (1) individual in our office to make sure that anyone who is on the affordable rental program, anyone who is on the Low Income or Very Low Income credits are getting information. We were even waiting for figures from HUD to see what those numbers were going to be for this year and it did not come out until very late March so we are just now being able to provide that information back to the taxpayers. We are doing some direct mailers. We do direct mailouts with our assessment notices that identify those programs, as well as any changes. This year, it will probably be because of the three percent (3%) cap, we will again include that as part of the mailouts that go out this year, but most of our staff, we have to be doing our other job which is getting the values right, making sure we are getting out and picking up new construction. So we are spending a lot of time doing that part of our job as well. We really do not have a dedicated

outreach staff that can go out, although some do leave information at the community centers, flyers that have, "Understanding Your Property Taxes," that have the programs on them, but we just do not have the time to do that on a weekly basis. It is more periodic.

Councilmember Chock: I was wondering if any of the new technology that you have been implementing would help to map out specific areas where we are experiencing more need of that kind of support or outreach.

Mr. Hunt: Because we do not have our GIS Analyst in yet, we actually did extend an offer and it was accepted, so we are in the process of finally filling that position. But that was something that we could do is identify the tax keys where low-income exemptions are prevalent and then maybe do more focused outreaches in those areas once we can map that and understand where the community seems to be needing the most help. Right now, we do not have visual information on that.

Councilmember Chock: I see. We are not there yet?

Mr. Hunt: Not there yet.

Councilmember Chock: Okay. Thank you.

Committee Chair Kaneshiro: I have a follow-up and it is kind of going the opposite way. I know you folks are short staffed, but do we have staff that look at people that are in the wrong class? Say, I was to look at it, I would see that most of the people would want to be in the Homestead Class because that is the lowest rate, and you would save basically half of your taxes if you are supposed to be Residential, but if you could get Homestead...I would think the abuse would be there because that is the biggest impact. Do you have staff that are able to look at it? I know when we talked to Maui, they said they were looking at that really hard and they caught a lot of people that were supposed to be Residential, but because the tax break is so large for their Homestead, they had people trying to get the Homestead and they caught a lot of folks doing that.

Mr. Hunt: That is true. That is exemption fraud and because it is more than half off to be in the Homestead rate because you get the exemption and the rate. The rate itself is almost double, so again, it is more than half off to be in that Homestead class. We do to the best of our ability try to vet to make sure that the applicants do not have exemptions in other States or jurisdictions in Hawai'i. We try to find information if there is income being produced from the property; maybe they are Commercialized Home Use that they live there, but we do not have a formal exemption fraud program. We do not have what we would call a compliance office. That is all what they would do. They would investigate those types. So, it comes in either through the tax clerks or appraisers to say, "Hey, when I was in the field I saw that there was another rental unit on the property," or something to that effect, and then we will send out questionnaires and try to determine, obviously, if we met and spoke with the tenant then clearly it is not in Homestead anymore. We do that through either the field or through complaints. We also receive neighbors turning in other neighbors saying, "It is not fair, they are getting Homestead, but they are running a business out of there." We do get that as another source.

Committee Chair Kaneshiro: Okay, thank you. Councilmember Yukimura.

Councilmember Yukimura: Do you feel that you are catching most of it or do you feel there is a lot of undetected fraud going on?

Mr. Hunt: It is hard to say. I would like to think we are catching the majority of it, but until we actually know what the real numbers are, because a lot of it is underground and it is changing. Every time there is a sale, a new questionnaire will go out for a use survey regarding, "How are you using it," and there is often a lapse because we certify the role as an October 1st date. Anybody who acquires a property say November 1st, even if they are going to be Homestead, if they are acquiring it and it was Vacation Rental the month before and they have no intent of vacation renting, it was already certified as of that date, therefore, they cannot reestablish as a Homestead until the next October, which is the following tax year.

Councilmember Yukimura: Right.

Mr. Hunt: And it goes the other way, too. Someone who is acquiring a property where someone had an income exemption and the Homestead exemption and have all these benefits and breaks, and the acquire and make it a rental property, do not live there, they get the former owner's break for one (1) year until that is removed.

Councilmember Yukimura: Right. I was just wondering at the possibility of hiring on a contract basis one (1) sharp young, because I think they would take the lower salary, aggressive attorney with some investigative background that could pay for his or her own salary by catching this kind of deception.

Mr. Hunt: They also offer actual services like LexisNexis is one of the ones that does some of the home exemption fraud and I think they charge one dollar and fifty cents (\$1.50) to two dollars (\$2) a parcel to do a search. So depending on the number you find, it may or may not be warranted. They like to have longer contacts, so usually you will find most of the fraud within the first year and then you just need to clean-up and monitor as properties exchange or change hands—not as prevalent after that. We have kind of looked into that, but we did not think a long-term contract was going to warrant doing it; therefore, we have been doing it on our own.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: How are we tracking the exemptions or possible exemptions in other States?

Mr. Hunt: We will work with other jurisdictions because normally we will get a driver's license or when they fill out what is called the P-64 form when they purchase a property, that actually has the mailing address where they want their tax bills sent to, and if it is out of Country or State, we immediately find out within that jurisdiction—do they own another property? Have they released their homeowners exemption? Some people acquired it, but they have not quite moved here yet. Their intent is to move here, so that is when we send out...and sometimes it is a remainder to the taxpayer that they need to release their other exemption if they are going to apply for exemption here.

Council Chair Rapozo: So, we do not have LexisNexis? You are not using any kind of...

Mr. Hunt: We do have a LexisNexis that we use for...more so on the tax collection side to make sure we have the right addresses and if we need to follow-up, but we have not been using it on the exemption fraud side yet.

Council Chair Rapozo: When you run a report on someone, it provides all the...

Mr. Hunt: All of the properties that they own under that social.

Council Chair Rapozo: Right, I think that would be a good start to track.

Mr. Hunt: Yes.

Council Chair Rapozo: So, we are not going that far?

Mr. Hunt: No. We have not yet. Maui County has used it and they have had mixed results. Their biggest success is Maui requires the homeowner exemption to file a tax return, even if they are not required because they make below the minimum income, they still have to file and just say that they make below the minimum. But then they verify with the State who filed a residential tax return, not a part-time return and not an out-of-state, obviously, but who filed an owner-occupant resident return and they will only allow the exemptions for those who have those and have filed. That is where they have had their biggest success and it is not LexisNexis, it is a Memorandum of Understanding (MOU) with the State Department of Taxation.

Council Chair Rapozo: LexisNexis can be very time consuming. Is that something that we should be considering? Should we consider what Maui is doing and requiring the tax returns?

Mr. Hunt: It is one (1) of the requirements for our application for homeowner exemption, but it is not the sole requirement. Maui makes it basically the sole requirement. If you do not file a Hawai'i State Tax Return, you are not eligible and what that does is it is potentially a year or two (2) delayed before someone can get an exemption, especially if they are moving from out-of-state. I am not saying whether that is good or bad, but if they move after our date of value and have not made income in that last quarter in Hawai'i, they first start working or they are retired, they still are not filing until the next year, so they are missing out on potentially two (2) years because they have to file in the following year, which makes them eligible for the exemption in the third year. There is a bit of a gap. With Hawai'i, it is not as bad if you are working in there, because you have a State return, but it may not be associated with that address and we just need to verify that that is where you live and we probably could go that route.

Council Chair Rapozo: So on Kaua'i right now, someone can get an exemption without an income tax?

Mr. Hunt: Yes. They can come in and say, "I just moved here from California, I bought this house and just moved in. This is my primary residence. I just got a Hawai'i driver's license and this is where I am living."

Council Chair Rapozo: Okay, then we need to fix that. Is that by an ordinance change?

Mr. Hunt: It is ordinance.

Council Chair Rapozo: Okay.

Committee Chair Kaneshiro: But there is a form that you sign off on, right, affirming that you are...

Mr. Hunt: That you live here, yes. There could be penalties and rollback taxes if we find out that you are living elsewhere. The only difference is we do not require the Hawai'i State Tax Return as the only form of evidence that that is your primary residence. There are other things that show you live here at that address one (1) being voter registration.

Council Chair Rapozo: Yes, and you can get utility bills or whatever, but you do not have to...the utility bill will come to anybody who applies. It does not have to be the person living in the house.

Mr. Hunt: Right.

Council Chair Rapozo: You could be living on the mainland and get a utility bill.

Mr. Hunt: Right.

Council Chair Rapozo: It is such a huge benefit and a huge exemption. I think a lot of people are getting it and they should not be getting it. That is just my gut feeling, but we will take a look at that and maybe introduce a bill that requires that.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: This is along the lines of the conversation. How many vacant positions do you have in your office?

Mr. Hunt: In Real Property Assessment, with the acceptance of the GIS position, we are actually going to be fully staffed.

Councilmember Chock: Fully staffed.

Mr. Hunt: Yes.

Councilmember Chock: Okay.

Mr. Hunt: In the Real Property Collections Office, we have one dollar (\$1) funded position that is earmarked for an eighty-nine (89) day contracts.

Councilmember Chock: Okay. Does that include the Senior Clerk position or was that one that was dollar funded?

Mr. Hunt: The Senior Clerk position is the dollar funded position, in Collections.

Councilmember Chock: In terms of delinquencies, collections, and so forth, if we were to move more in that direction, what are the needs? Would you need to fill that position in order for us to be proficient in some of what we are discussing?

Mr. Hunt: I think there are some things that still need to be ironed out. We have a meeting scheduled with the County Attorney to discuss some of the processes that maybe can be streamlined to help in delinquencies, especially on the notification and sending letters. This recent auction, the tax foreclosure sale, involved quite a bit of certified letters going out as well as the one that is pending. It includes owners and former owners at all addresses ever known and to me it is a little onerous, so we are going to be discussing with the County Attorneys whether that is...just in this particular instance or something we have to now do for every property that goes to foreclosure because that is very time consuming. We also have not been fully staffed in Collections for a while. Again, there is one (1) vacant position that is in recruitment now and one (1) vacant position that is going to be dollar funded with the intent of hiring eighty-nine (89) day contracts for the busy billing periods to help with the process and payments. On the collections side and the delinquency side, until we actually have time to review and streamline, it is difficult to say what the impact will be.

Councilmember Chock: Right. And we do not have any idea as to what the revenue source will be and how far we are behind in some of these delinquencies?

Mr. Hunt: I believe the last report I got was about five point seven million dollars (\$5,700,000), if I am recalling, in delinquencies.

Councilmember Chock: Really?

Mr. Hunt: Last year was about four point five, but I am not sure if some of that includes all of the payments for the second half of the fifteen payment, which just came in at the end of February. February 20th was the due date and they were still processing in the March, so some of that may not actually be delinquent, but just unprocessed. Once all of the second half payments are processed, I will be able to determine a better delinquency rate for prior years, which is really...most of my concern is with the prior years. Not too many are delinquent in the current year.

Councilmember Chock: It seems like this is a revenue source that we need to be looking into and get a handle on in order to be more efficient and bring in more money, is that correct?

Mr. Hunt: It is moneys that we budget that are not necessarily collected in the year that we budget them, so they are rolling over from prior years and they compound. But it also compounds not only the moneys from the budget, but also interest starts kicking in and interest and penalties can be a big portion, so it is not just the original fees that we are four and a half million dollars, it may be two and a half or three million dollars (\$3,000,000) in original taxes, but the rest is added as penalties and interests, which was not budgeted. That would actually be a windfall, if we were able to collect all of it and again, everyone's situation is different. Some are just difficult to collect and other properties, there are issues with title, so even sending them to foreclosure sometimes does not work because of the issues with the (inaudible) on title or multiple owners and the difficulties we have in finding buyers for those.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: What was the status of that dollar funded position? Is that going to remain dollar funded?

Mr. Hunt: The Administration did dollar fund that position, I believe, that is Position No. 275 as a Senior Clerk, and they put money in the wage and hourly to fund an eighty-nine (89) day contract using that position number to basically cover the two (2) busy three (3) month billing periods. January, February, and March is a really busy period, as is July, August, and September because that is when the payments are coming in.

Council Chair Rapozo: I think we all got an E-mail from one (1) of the employees and the employee said that you were aware, Steve.

Mr. Hunt: Yes.

Council Chair Rapozo: I pulled it up right now just to refresh my recollection. I question why, based on the E-mail, and I am not sure why the Vacancy Review Commission would find that that position...it is the second position so far the I have heard in this session that the Vacancy Review Commission has basically said, "No, you do not need to fill it." It is the lower-level positions and it is causing an impact, and in this case, a serious impact, in my opinion based on what this employee is saying. The employee is saying that basically we are losing out on recovering delinquencies because of short staffing. Is that true?

Mr. Hunt: It is difficult to assess at this point because this division has been operating short-handed for a while. In fact, the position in question has been out for over a year with health issues prior to even being let go, but they were still making inroads on collections.

Council Chair Rapozo: Let me put it differently, if you had more staff, would we be able to collect more?

Mr. Hunt: Again, it is difficult to say because the collection comes on the part of the taxpayers' ability to pay.

Council Chair Rapozo: Steve, you know where I am going with this.

Mr. Hunt: I understand.

Council Chair Rapozo: It is not about the ability to pay because the ability to pay, obviously, but we have remedies for that. We have civil recourse for that.

Mr. Hunt: Correct.

Council Chair Rapozo: I just do not understand why we would...I pray that this employee...I told this employee that I would bring it up, but I do not want anything to happen to the employee for coming forward and sharing with all of us how, in my opinion, bad it is. I do not understand...so the person that was out on leave is gone now?

Mr. Hunt: Yes.

Council Chair Rapozo: How many vacancies do we have now?

Mr. Hunt: There are currently two (2) vacancies. One (1) is in recruitment now, which is for an Accountant Clerk, and the other vacancy, which is dollar funded, is the Senior Clerk.

Council Chair Rapozo: Right, but that Senior Clerk would be able to assist?

Mr. Hunt: Yes, so basically it is a half position down from where it would be if all positions were fully funded because the funding would be for two (2) eighty-nine (89) day contracts during the two (2) busy billing periods. Or, potentially one (1) during the busy billing period and one (1) to assist with delinquencies, if they were back to back rather than just using it for processing payments.

Council Chair Rapozo: Okay. Let me just read this, "You may be asking why I am writing to you. The primary reason is the damage that is happening and will happen to the Real Property Tax Office if the Senior Clerk position continues to be dollar funded and not be allowed to be filled at the Real Property Collections Office. I watch the County Council Meetings religiously every Wednesday because of my position I need to be aware of all the things that can affect real property taxes." I am reading this because the employee gave me permission to use her information. "I know that the real property tax is a huge concern for all Councilmembers as well as the general public. We are, as a County, in need of revenue and the Real Property Tax Office is one of the primary sources of revenue for the County of Kaua'i. How can we do our job if we are not allowed to fill our empty positions that work directly with delinquent accounts." That is disturbing to me and is concerning. I do not know whose decision or if the Vacancy Committee...yesterday, we went through two (2) departments that are looking at new positions all over, big seventy-five thousand dollar (\$75,000) to one hundred thousand dollar (\$100,000) positions, and not a problem. This one here who can help us recover delinquent taxes...and I can only imagine the morale in that office if in fact it drove an employee to send an E-mail to the County Council. I welcome that and ask that you folks do not go back there and treat her any differently, because if we do not know, we do not know, and this is the only way we find out. It says, "Delinquencies will continue to grow if we do not address it and with only one (1) staff member working on the delinquency does not allow us the full ability to address and collect on all these delinquencies." I am not sure what to do. We had this issue a couple years back with Accounting and then employee came up here crying in the budget, unfortunately. I see Nadine up here, I do not know what you are going to say, but I just do not understand how when we talk about real property tax and we take a position that can help us and say we do not need it. I do not get that.

Ms. Nakamura: Your point is well taken, Chair Rapozo, that to me every position in Real Property Tax Office and Assessment Office is important because this is our revenue generation center. The Vacancy Review Committee takes its role very seriously because of the concern expressed by the Council to reduce the cost of government, cut positions, to be fiscally responsible, to prepare a structurally balanced budget, and every position that the Vacancy Review Committee has not funded, has recommended not funding, I think you will find concerns because every position provides valuable resources to this County. As we talk about fiscal stability and responsibility, these are the tough decisions that impact internal operations and it impacts services to the community, and that is where we are at. If we choose to fill these positions, I think we talked previously about the Park Permit Clerk, this is another one, you know we hear complaints pretty much from every agency that gets impacted by a Vacancy Review Committee decision. These are the hard, hard decisions

that are being made to be able to present this budget. It is a difficult situation to be in and I think every position can be...department heads are making the case for every position to fill when there is a vacancy, but this is the tough decision that we have to make to get to this balanced budget. There is give and take, both ways, therefore if the Council feels that this is something that we cannot do without, then that is the conversation to be had during deliberations.

Council Chair Rapozo: What is the salary of that dollar funded position?

Mr. Hunt: I was not prepared to talk about the real property budget.

Committee Chair Kaneshiro: We may end up going through this at the department review too, but I know it does have to do with our ability to collect real property taxes.

Council Chair Rapozo: I can hold that for the next session.

Committee Chair Kaneshiro: You heard what some of the questions are, so if you could be prepared when you come back. Councilmember Yukimura.

Councilmember Yukimura: My question is not about the Clerk position, I can wait too for when the Finance budget comes up. My question is relating to the previous discussion on real property tax fraud and people trying to get that exemption and Maui's system of requiring tax returns. This exemption process is such that once they get an exemption, they do not have to refile until there has been a change of circumstances, right?

Mr. Hunt: That is correct. It is a onetime application and it is vetted at the time of the application, but it is not relooked at until there is a change in ownership or circumstance, such as building a second home or something that would cause a relook at the tax class or exemption status.

Councilmember Yukimura: Right, which makes the filing of the exemption, because it is a onetime thing, important and the Chair's concerns about the deception happening at that point is well taken, but I think your point also about people being denied or unable to get an exemption for several years before their tax returns actually come up is a good point too. I was wondering if we could just have as a requirement, that by the third year of their exemption, they file their taxes, so it is required. They file the exemption, we honor it with the other evidence that we require, but by the third or second year, or whatever year is reasonable and available, we require them to do that as a confirmation and if not, they do not get it.

Mr. Hunt: I think having some sort of contingent where we are going to give it to you on a common based on your circumstance you are telling us that you are living here now, we will give it to you this year, however, if the subsequent year you do not have a tax return, we are going to pull it away and roll back your prior year because you did not live here. That would be an option.

Councilmember Yukimura: Right. And we would just have to have this little flag that comes up, "This is their second year or third year and they are required to have their State tax returns filed."

Committee Chair Kaneshiro: Any further questions on real property taxes or this presentation?

Councilmember Yukimura: Yes, I have.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: In your process with the State/County Committee that looked at the TAT, did the State bring forth their data on how much of the State budget is related to tourism?

Mr. Hunt: They did, and actually we had some subcommittees within that, that I sat on, and have questioned some of their nexus.

Councilmember Yukimura: Their gross assumptions.

Mr. Hunt: They included the Department of Education grades K all the way through UH and saying, "There are some nexus because some of our hospitality jobs are coming out of UH that major in that field, and training our kids in workforce is an important thing," and that was a huge fifty-four percent (54%) of their budget was DOE and all the branches. Even though they said it was a very low nexus, a low nexus to a very high budget number created a big gap, so we did question that.

Councilmember Yukimura: What was the figure that they came up with? Did they say that half the State's budget is related to tourism?

Mr. Hunt: No, no, it was not nearly that much. Off the top of my head, I do not recall what it is, but it is probably in the report.

Councilmember Yukimura: But it was not substantiated in the way that you folks had more rigorously looked at the County's budget.

Mr. Hunt: Right, and I think the other item that the Counties continually brought up was that they only wanted to look at the expenditures and not the revenues. We were only looking at the TAT as a revenue source and we are saying, "Yes, but you are also getting GE from the visitors. You are putting down your harbors and airports as expenditures items and relating it, but you are also getting revenues from your planes that come in and concessions and fees for cruise ships. We said that if we are really going to do this exercise, we need to look at not only at expenditures as the analysis, but also the sources of revenue, and then we would throw in our property taxes as well.

Councilmember Yukimura: And even our fuel taxes.

Mr. Hunt: Yes, so we would have analysis and not just expenditures and it seemed to be driven towards, "What are we expending on our visitors and not what are the sources of revenue," because TAT at the State level is a minor source of their revenue in total revenues.

Councilmember Yukimura: Can you...

Committee Chair Kaneshiro: I have a follow-up on TAT.

Councilmember Yukimura: Yes, go ahead, please.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: On page 16, the one with the different funds; TAT distributions. The red is the Convention Center and in 2001 and 2002, it does not show the Convention Center. I think I missed that.

Mr. Hunt: See how there was a spike in the General Fund in the purple in 2001 and 2002.

Councilmember Chock: Yes.

Mr. Hunt: It looks like they took the funds and did not appropriate them into that special fund in that year and just put it into their General Fund and then through the budget process probably gave it back to the Convention Center as their debt service.

Councilmember Chock: Is the amount for the Convention Center seems pretty stable as well in terms of amount. Is that just to maintain?

Mr. Hunt: Well, it is debt.

Councilmember Chock: Okay.

Mr. Hunt: They did refinance it. Part of that is not just the actual debt, but actually some operations so it is a combinations and debt service in that portion that they are getting.

Councilmember Chock: When do we anticipate this debt...

Mr. Hunt: Being repaid?

Councilmember Chock: Yes.

Mr. Hunt: It is difficult because they keep refinancing...well, they refinanced at least once, but it does not preclude them from refinancing again.

Councilmember Chock: Right.

Mr. Hunt: And that was part of the recommendation for the Working Group was that those amounts would stay stable, that you would not be allowed to add additional debt to pull out more off the top, that any decision would then be made by...as far as the spending of the TAT, would be done within the State's fifty-five percent (55%) or within the County's forty-five percent (45%) after these initial fixed costs were reduced. But you would not continually take off the top and then diminish the share of the pot that would be split forty-five/fifty-five (45/55) that those would have to now come out of the State's bucket if they wanted to encumber future funds for new projects.

Councilmember Yukimura: I have a follow-up to that.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: Is it the fact that they actually do not have a real plan for paying off the Convention Center?

Mr. Hunt: Because there are operations involved in there, at some point if they were to continually pay their bonds, they would pay it off, but by the time it is paid off, it is probably going to need a renovation and they will take out more revenues to update and spruce up the Convention Center. If it is a twenty (20) bond, twenty (20) years from now is not going to look like it did when they took it out. It is probably likely to remain a fixed cost for a while

Councilmember Yukimura: Okay.

Committee Chair Kaneshiro: Any further questions on this presentation or real property taxes? Ken, just to clarify, once we get through this presentation on real property taxes, we are going to go through this list and take any questions, we will just go down the line with licenses and fees.

Mr. Shimonishi: That was the method we used last year to go over the revenues.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: On slide 7, under changes in gross value and property counts for the different tax classes, Residential Investor category, which is a two (2) year old category.

Mr. Hunt: We are in our second year.

Councilmember Yukimura: Yes. That showed the second to the largest increase.

Mr. Hunt: In gross value, yes.

Councilmember Yukimura: Yes, it is gross value.

Mr. Hunt: Because every property that gets added, and again, we only added twenty-one (21) properties, but every property is at least two million or more.

Councilmember Yukimura: What was the increase in amount?

Mr. Hunt: In taxes?

Councilmember Yukimura: Yes, revenues generated.

Mr. Hunt: In revenues generated from that one hundred twenty-eight million dollars (\$128,000,000), that is roughly nine hundred seventy-three million dollars (\$973,000,000), which is on slide 12.

Councilmember Yukimura: Nine hundred seventy-three million dollars (\$973,000,000) on slide 12. Is there an increase from the year before?

Mr. Hunt: The year before was a new category and we would have to estimate what those properties would have paid at the Residential rate versus the Investor rate because we created the new category. You would have to take the net taxable value and divide it by one thousand (1,000) and times the spread in the rate, which would have been a dollar (\$1). From six zero five to seven zero five, and that would give you what your additional revenue would have been from that category at the time.

Councilmember Yukimura: Because this amount, the nine hundred seventy-three, is just the...

Mr. Hunt: The increase.

Councilmember Yukimura: It is the increase over the last revenue amount...

Mr. Hunt: In that category.

Councilmember Yukimura: Do you have the revenue amount in the first year, generated?

Mr. Hunt: It would have been all new, so let me kind of see if I can do this...

Councilmember Yukimura: Maybe it was about eight hundred thousand dollars (\$800,000)?

Mr. Hunt: That sounds about right, because the net taxable was eight hundred ninety-nine million, so about nine hundred...yes, eight hundred ninety-nine thousand one hundred sixty-eight (\$899,168). That was the increase coming from Residential to Residential Investor was eight hundred ninety-nine, now comparing the growth in that class by adding the twenty-one (21) new properties and maybe appreciation to the properties that existed, the increase on top of that is nine seventy-three.

Councilmember Yukimura: That is only about eighty-four thousand dollars (\$840,000)?

Mr. Hunt: No, that is added on top of that because the category itself was paying six point three million dollars (\$6,300,000) last year. Of that six point three, about nine hundred thousand dollars (\$900,000) was an increase over the Residential rate. This year, they are paying seven point three.

Councilmember Yukimura: Okay, but in fact in terms of new revenues, it is just the amount over what we were getting before we created the class?

Mr. Hunt: Correct.

Councilmember Yukimura: Okay.

Committee Chair Kaneshiro: Plus the twenty-one (21) new properties.

Mr. Hunt: Exactly. That is creating the bulk of that increase. There was some market appreciation, but the bulk of the increase is probably adding twenty-one (21) properties.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: Steve on the TAT, the budget is submitted with the one hundred three (103) cap, right, our current budget, which is the fourteen point nine million dollars (\$14,900,000).

Mr. Shimonishi: That is correct. We are assuming that it will remain at the one hundred three (103) cap.

Council Chair Rapozo: So if today the bill does not pass, we lose another one point four five million.

Mr. Hunt: Yes.

Councilmember Yukimura: Is it for...

Council Chair Rapozo: Today. This afternoon, yes. We will see. I think we are on the third agenda and there are three.

Committee Chair Kaneshiro: Any further questions on the presentation?

Councilmember Yukimura: We were not opposing it were we?

Committee Chair Kaneshiro: The presentation was very clear on any changes and how we derived on the taxes. If not, then we will move to this sheet with all the fees. Ken, did you want to say a little bit about it first? If there are no questions, we will move on.

Mr. Shimonishi: This worksheet, as I mentioned, is similar to what we presented the last couple of years. In the first left hand column, you can see the fund code, the fund description, the account; the summary level so to speak, the element object, and then we have provided you three (3) years of actual numbers against the prior year's budget FY 2016 compared to the current year budget FY 2017 that is being proposed. The dollar amount changed as well as the percentage of that dollar amount change followed by some narrative if we have any to help explain what those revenue line items are. These are the revenues at the account level that is being budgeted for this year, by fund and so on. The blue rows of data would indicate the summary of those accounts generally. The yellow lines, the higher level, and then there is peach colored, which would be overall fund totals. With that, I will leave it to you how you wish to proceed.

Councilmember Yukimura: Peach colored, is that the red...

Mr. Shimonishi: This row would be the total fund numbers.

Committee Chair Kaneshiro: Page 3, we have the General Fund total in peach.

Councilmember Yukimura: Okay, thank you.

Committee Chair Kaneshiro: As you can see page 1 all the way to a portion to page 3, is all General Fund revenue.

Mr. Shimonishi: The first column is real property taxes, that first row we just cover that six point four million dollars (\$6,400,000) that increase. The next line, public service company tax, we are budgeting a slight decrease of one hundred seventy-five thousand dollars (\$175,000), that was primarily due to looking at our estimates on the last FY actual.

Committee Chair Kaneshiro: And just stop us, Councilmembers, as we go if you have a question on the line items.

Councilmember Yukimura: Thank you.

Committee Chair Kaneshiro: Okay, Ken.

Mr. Shimonishi: No other changes from there going down. We are budgeting the same with exception to the next section to non-business licenses, which is our building permit area. That area, we bumped up by four hundred seventy-five thousand dollars (\$475,000), again kind of looking at where we were and what we think will happen going forward.

Committee Chair Kaneshiro: That number is based on the number of buildings that are getting built on Kaua'i and that is the permit fee?

Mr. Shimonishi: New permit fees, that is correct. The other area that we are putting in, this is the second year that we are budgeting in that category for zoning SMA subdivision fees are grading and grubbing permits, construction inspection, and the couple lines below are TVR renewals. Those are...

Councilmember Yukimura: Where are you looking at?

Committee Chair Kaneshiro: The bottom on page 1, the last two (2) line items.

Mr. Shimonishi: The last three (3).

Council Chair Rapozo: Can I go back up to the one right above that? You are flying. I am looking at the one right above the business licenses, where you have the pepper spray, other, peddlers and vendors, and then you have firecracker, which FY 2015, it looks like we generated six thousand nine hundred fifty dollars (\$6,950).

Mr. Shimonishi: Correct.

Council Chair Rapozo: And we are not showing any...am I reading this right?

Mr. Shimonishi: I will need to look at that. I think the firecracker permit fees were later diverted...not diverted, but reassigned to a special fund that is in our 251 Fund and the Fire Department can use those moneys towards their training and whatnot. I think that occurred after '15, but I can revisit that.

Council Chair Rapozo: Okay.

Councilmember Yukimura: I have a question.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: Ken, in that case, when we are looking at the Fire Department budget, which we just looked at, was this firecracker fund actually indicated in their budget too, so we know that we have the whole picture about their revenue source, pretty much like the Criminal Forfeiture Fund.

Mr. Shimonishi: I think what the departments were requested was to provide a consolidated worksheet of other funding that they may receive as well expenditures.

Councilmember Yukimura: That was that attached thing that they put to that budget narrative, which was confusing because...

Committee Chair Kaneshiro: They provided a consolidated worksheet that just had the lump sum of how much...I think it was State funds and how much grant money they received.

Councilmember Yukimura: Did they break it down?

Committee Chair Kaneshiro: No, they had it by the division that was receiving it and the total number. I do not have it off the top of my head.

Mr. Shimonishi: Right, that would have been part of that consolidated column of State funds.

Committee Chair Kaneshiro: One was about two hundred thousand dollars (\$200,000) and I believe the other one was fourteen thousand dollars (\$14,000) or something like that, but do not quote me on it.

Councilmember Yukimura: Yes, but it is not in the line item budget. I know it is not part of the regular budget, but somehow we need to be able to see what all of their revenue sources are, otherwise we just ignore it and we do not budget according with that awareness of those funds.

Mr. Shimonishi: Actually, maybe a better methodology is for the Councilmembers to go down the lines and just ask questions, if you have any on the revenue rather than me rambling off here.

Committee Chair Kaneshiro: The 251 fund revenue is not going to be shown on this worksheet.

Mr. Shimonishi: Correct. These are funds that are part of the Operating Budget Ordinance. It would not include State or Federal grants and some other funds.

Councilmember Yukimura: But this fund that we are talking about, the firecracker fund, is County revenues.

Mr. Shimonishi: Correct.

Councilmember Yukimura: Where in their line item budget is it?

Mr. Shimonishi: It is not in the worksheets that you are looking at. It should have been provided as a supplemental...as part of the consolidated overall worksheet.

Councilmember Yukimura: What is that worksheet?

Mr. Shimonishi: I have not seen it, but I heard mentioned that if they get additional funding or expenditures in State or Federal grants, so it would be in that (inaudible).

Councilmember Yukimura: But County's moneys as well. It is kind of like that 901 fund.

Mr. Shimonishi: 209?

Councilmember Yukimura: Pardon me?

Mr. Shimonishi: The 209 fund.

Councilmember Yukimura: Yes, the 209 fund, I am sorry. The 209 fund in Parks, which until we required them to come through us, was this slush fund, if you will, on the side that nobody ever saw, nobody in the public could scrutinize, and it seems to me that if the 209 fund was required of parks and they have it in their budget, the firecracker fund should be part of the Fire budget somewhere. This is County moneys. This is not grants.

Mr. Shimonishi: It is not grants. I guess, we record it as part of the State grant fund or what is set up as a State grant fund, which is basically a special revenue that any time we get this ordinance, it states, "These funds shall be used for...and set up in this project..."

Councilmember Yukimura: Like the (inaudible) and cars fund...oh, the beautification fund?

Mr. Shimonishi: No, more like the TVR enforcement fund. I think there is planning permit review and all of those other...

Councilmember Yukimura: Okay, and we are not requiring the Planning Department to put their TVR fund before us as we look at the budget?

Mr. Shimonishi: It is not part of the budget worksheets or not part of the budget ordinance, but again, we have requested that the departments provide that consolidated worksheet to the Council and Administration.

Councilmember Yukimura: So, actually if I can try to define it, these are funds that are earmarked for certain specific expenditures?

Mr. Shimonishi: That is correct.

Councilmember Yukimura: So there are funds that, by statute, are assigned to a certain kinds of expenditures.

Mr. Shimonishi: Right. Whenever an ordinance is passed, it states, "An account shall be established in the 251 fund for the purpose of," what have you. That is what we are talking about with these cases, which is not part of the budget ordinance.

Councilmember Yukimura: We certainly do not have any budgetary powers over it, but we can say, like the Po'ipū Road fund that we recently passed in Public Works, that it was moneys coming from a developer as a condition of a permit. We just created that. And we appropriated those moneys into the fund, so we cannot except by appropriation, make changes to that fund, but we can make changes to that fund. So if they come to us with a CIP request, we can say, "Well..." and they are going to say, "This CIP request is going to add to what you already appropriated." Maybe that is not a good example because we had to appropriate it. So, the firecracker fund, the TVR fund, the approval of expenditures is within the discretion of department heads or other non-Council entities.

Mr. Shimonishi: I think the approval is done when those funds were established and when the ordinance is passed and stated, "Shall be appropriated upon receipt," or "Shall be used for the following purposes," and at that point, we establish those funds. It is a project within the 251 fund, so we can track those revenues and expenditures.

Councilmember Yukimura: What is the 251 fund?

Mr. Shimonishi: It is primarily our State grants, but we have used it in these cases to track other special revenues.

Councilmember Yukimura: Okay, thank you.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: How difficult would it be to have a separate spreadsheet to account for all the...or at least show all the special funds and funds created by ordinance? I am assuming that these moneys come in to the County and I am assuming it goes to the Director of Finance. I am not sure how it works, but when you buy your permit, who do you write the check out to?

Mr. Shimonishi: Correct. It does come into the County and goes through the County's books.

Council Chair Rapozo: Right. Is there a way we can get a spreadsheet from you folks showing all these different revenues generated for all these, I guess it is called, special funds.

Mr. Shimonishi: Yes, we could work on that. All I am saying is that it was not part of the Operating Budget Ordinance.

Council Chair Rapozo: But the funds are being spent in the Operating Budget, right?

Mr. Shimonishi: Yes.

Council Chair Rapozo: I mean...

Councilmember Yukimura: For operating purposes.

Council Chair Rapozo: Right. They are using these moneys to fund their budget, right?

Mr. Shimonishi: Correct.

Council Chair Rapozo: I do not even know how many special funds there are. There is a park fund, firecracker fund, and...is the scrap dealers the same scenarios?

Mr. Shimonishi: I am not aware of that.

Council Chair Rapozo: I know that the scrap dealers are the second-hand dealers, is that the same license, do you know?

Mr. Shimonishi: I am not sure.

Council Chair Rapozo: I know there is a Pawn Shop license, Second-hand dealer license, and that is not listed. We have a heck of a lot of pawn shops and second-hand dealers on Kaua'i right now. All these guys buying and selling gold, the pawn shops, but I noticed there is no...I am hoping that these folks are getting their licenses.

Mr. Shimonishi: I would have to look to see how enforcement and all of that is factored in or if in fact we are properly recording those deposits, but that is something we have to look at.

Council Chair Rapozo: It is really weird and I know this because I had both of them, the Pawn Shop license was one hundred dollars (\$100) and the second-hand dealer license was ten dollars (\$10), which that definitely needs to be increased. When I looked here Scrap Dealer forty (40), I know we have more than four (4) scrap dealers on the island, but I do not know if that is the second-hand dealer license, which is the legal term for that license. I will send that question across. That is not much, but still, these folks are generating revenues and they should be paying the County their little tax.

Committee Chair Kaneshiro: And actually the scrap dealer line item is zero (0).

Council Chair Rapozo: Yes.

Committee Chair Kaneshiro: We can send that question. Councilmember Yukimura.

Councilmember Yukimura: What are the purposes of these licenses?

Mr. Shimonishi: I guess we have to research on why these licenses were set up or required.

Councilmember Yukimura: I mean there are two (2) things that come to mind, one is the questions by the Chair kind of imply a certain amount of regulatory interest. You want to make sure you know who are those operating whether they are buying gold or dealing with scrap. Otherwise, why are these things here? Fees and licensees are to pay the cost of

regulation, usually. For example, we regulate the taxi, bike, and auto fees. If we do have a regulatory responsibility, are we fulfilling it? We decided several years ago that we wanted to keep the licenses increasing gradually over time and not wait forever to raise them, so are these things that we have control over and we should be raising whether it is by five dollars (\$5) or...and if they are obsolete, why we do not just eliminate them? They are not giving any significant revenue. I am sure that it is really low priority to Finance, but...

Committee Chair Kaneshiro: Maybe we will do this by pages. I do not know what is the easiest. Any further questions on page 1? Councilmember Kuali'i.

Councilmember Kuali'i: My question applies to all pages. Are the different licenses defined differently as far as... is it an annual license, is it a start-up license, is it a flat fee, or is it based on gross sales? It seems like if you standardized it, it might make more sense.

Mr. Shimonishi: Unfortunately, Councilmember Kuali'i, I really do not have the historical knowledge on the establishment on the fees or the requirements. I would assume that it is an annual license, but I am not certain. We have provided, I think it is part of the requirement of the budget, a list of all the fees that the County charges and where the origination of those fees occur. I do not have in front of me, but I think that is an appendix that was required, I think the past two (2) years. I am guessing that is in there.

Councilmember Kuali'i: Just the difference between license and tax, I mean it is a flat fee and then there is no...because if it was a tax and it was set up at a percentage of, say, gross sales, then there would be more room for potential growth as the economy gets better and there is more sales, you have more tax revenue, but there is nothing set up in that way—for all of these taxes, fees, and licenses.

Mr. Shimonishi: I think that is a question for the County Attorney as far as what the County's authority is, because my understanding is that we cannot literally tax, aside from the Real Property, but rather we are allowed to assess fees. My basic understanding is that a fee goes towards offsetting the cost of service provided versus...

Councilmember Kuali'i: Do you think much like the TAT and GET that it is a State...they have the authority and we do not unless they give it to us?

Mr. Shimonishi: That is my understanding.

Councilmember Kuali'i: Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: I would like to suggest that even while it may not be the top priority it is probably good housekeeping to have an evaluation of all these fees; where they came from, whether they are still needed, and whether we should have a regular increase of it or do away with it. I think it would be useful and maybe a small consultant contract for somebody to take on as a project or maybe if you have a really bright summer intern that can be guided.

Mr. Shimonishi: Actually now that you mentioned that part of our long-term financial plan with GFOA is to look at our fees and hopefully we can wrap that up into that policy as well.

Councilmember Yukimura: That is a good idea. My understanding of the difference between a fee and a tax is that a fee does pay for administrative cost and regulatory cost, like our liquor license fees, our cat and dog license fees, they all help to pay for the regulation that is required for public health. Okay, thank you.

Committee Chair Kaneshiro: Any further questions on page 1? Just to follow-up on that, also looking at who is responsible for collecting the fees? If somebody comes and opens up a firearms store, as long as it is in commercial...I do not know if there is a process they need to go through that will be a red flag for the County to know that there is a business license fee for firearm sales or something. I am kind of thinking like that. How do we know? Even for a scrap dealer, a scrap dealer comes in, takes an industrial building and is doing scrap dealing, but how do we know that they are there? How do we get our hooks in to know that they need a business fee rather than just hearing it around the community? Who is in charge of it? Is it the Building Division, the Planning Department...Councilmember Kualii.

Councilmember Kualii: Before you leave page 1, the top item in the last grouping: Ord. Business License, Building Structure/Equipment. For FY 2015, it was two million dollars (\$2,000,000), and the budget for FY 2016 one point two million (\$1,200,000), and then the budget FY 2017 is one point seven million (\$1,700,000), how are you estimating those figures?

Mr. Shimonishi: That was just a rough guess on where we had been and trying to stay a little more conservative than what we did in actual FY 2015 thinking that we may be kind of slowing down on the construction side.

Councilmember Kualii: And these were actual building permit revenues? What is this?

Mr. Shimonishi: Yes.

Councilmember Kualii: It is odd that they call it business license.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: The other thought is that I know that there is a real aversion at the State level to creating special funds. We must give some thought to the administration costs and transaction costs. I do not know if, in this little study, you are going to do consolidation of funds, but it might be something to look at too. I do not know if it makes it more complicated or simplifies it, but something to look at.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: I am going back to the non-business license, the building structure equipment. In FY 2015, the actual we brought in a little over a million and then in FY 2014, we upped that about a half a million to almost one point five, and then in FY 2015, we went up another half a million to a little over two million. I can see the conservativeness, but what was the actuals? Do you know right now; what the actual to-date is for FY 2016? It looks like we probably underestimated the revenue for this year because the trend is half a million going up.

Mr. Shimonishi: Up on the screen as of eight (8) months, we are at roughly a million dollars (\$1,000,000).

Councilmember Yukimura: Where is that figure?

Council Chair Rapozo: We are at a million dollars (\$1,000,000) with eight (8) months and four (4) months to go?

Mr. Shimonishi: Yes.

Council Chair Rapozo: So it is going to be a pretty significant drop this year.

Mr. Shimonishi: Yes, I think we were thinking that it is slowing down and we would not see the same.

Council Chair Rapozo: The same goes for the electrical, plumbing, and all of that? I would assume that they would probably go up at the same proportion, right?

Mr. Shimonishi: There may be a little room in there to go up, but for the first (inaudible), we left it at that.

Council Chair Rapozo: That is a thirty-seven percent (37%) increase for buildings and nothing for electrical, plumbing, and the rest, which kind of seems strange to me.

Mr. Shimonishi: We can look at that.

Council Chair Rapozo: We just need to budget real. I know we want to keep the budget increase low, but we need to be realistic and I would assume that if buildings are going to go up by that much then the rest would follow. Can you take a look? Thank you.

Committee Chair Kaneshiro: Any further questions for page 1? If not, we will move on to page 2. Ken, can you just go through it a little bit?

Mr. Shimonishi: On page 2, we started off with our TVR renewal fee and again, this was something that was previously budgeted in the Sundry account and we split this out two (2) years as you can see, and we have bumped it up as well. The section below that, Rents & Concessions, we obtained those numbers from our Parks Department, except for the other rentals, we kept that pretty much flat as last year. Our interest earned, we got that from our Treasury. We continued to have that bank fees in the revenue section and then the next section the State TAT, you can see that we maintained that at fourteen million nine hundred thirty-five dollars (\$14,935,000), again, assuming that the Counties remain at one hundred three million dollars (\$103,000,000). No changes in the budget numbers going down from prior year.

Committee Chair Kaneshiro: Any questions? Councilmember Yukimura.

Councilmember Yukimura: The rents and concessions where we have center/parks, where is the 209 fund?

Mr. Shimonishi: Again, this is budgeted by fund or in the General Fund. The 209 would be in the 209 fund.

Councilmember Yukimura: Oh gosh. Okay. Center and parks, what is the center? I mean, Kaua'i War Memorial Convention Hall...oh, neighborhood centers and parks.

Mr. Shimonishi: Right.

Councilmember Yukimura: Are "relay stations" our communication system?

Mr. Shimonishi: I am not quite sure on that.

Councilmember Yukimura: Can you find out? How do you identify this thing? Account 441 and element 14; is that how you do it?

Mr. Shimonishi: Correct. Yes.

Councilmember Yukimura: 001-44114.00-00?

Mr. Shimonishi: Yes.

Councilmember Yukimura: Oh, okay. So, we will find out what those are. And "Other rentals," that you show here is Workwise, Historical Society...

Council Chair Rapozo: You have the radio sites there as well, the Department of Justice and FBI.

Councilmember Yukimura: Okay, so the relay stations should not be the radio sites.

Councilmember Kualii: What are they?

Councilmember Yukimura: I do not know. Okay. Thank you.

Committee Chair Kaneshiro: Any further questions for page 2? Councilmember Kualii.

Councilmember Kualii: Along those same lines; what is TCD/RPA?

Ms. Shimonishi: I believe it stands for Time Certificates of Deposits, but I am not sure what RPA stands for, but that would be just the interest earning on our moneys.

Councilmember Kualii: Interest earnings.

Councilmember Yukimura: I know this is not a big thing, but your State Burial Indigent/Veterans; do you know how this works? Okay, it is by ordinance. I would like to find out how it works.

Council Chair Rapozo: It is just the State pays us for every burial that we do at the Veterans Cemetery.

Councilmember Yukimura: Oh, at the Veterans Cemetery.

Council Chair Rapozo: And it is small. It is like eighty dollars (\$80) or something like that, per burial. It might be more now.

Councilmember Yukimura: Okay, and that all gets tossed into the General Fund and then we fund the Veterans Cemetery through the Parks budget for that park? Is that how the money goes? Okay, thank you.

Committee Chair Kaneshiro: Any further questions for page 2?

Council Chair Rapozo: I do on the Drivers Exam Taxi Handicap. What is that?

Councilmember Yukimura: Oh, yes, that is a big amount.

Council Chair Rapozo: I am not sure how you get the handicap. Is that the handicap permits and the taxi permits?

Mr. Shimonishi: That would be my understanding, but we can look at that.

Council Chair Rapozo: I am assuming that the taxi fees is on this worksheet, right?

Councilmember Yukimura: Maybe you can get back to us?

Mr. Shimonishi: What is the question?

Council Chair Rapozo: What moneys go into that line?

Councilmember Yukimura: It is three hundred thousand (300,000).

Council Chair Rapozo: Because it says, "Driver's Exam," so I am not sure if this is a combination of driver's exam, when you get your driver's license, you pay, the taxi registrations, because I did not see taxes in any of the business license section and handicap permit fees. I am not sure if this is one big...a combination of all.

Committee Chair Kaneshiro: Ken, can you get back to us on that?

Mr. Shimonishi: Yes.

Councilmember Kualii: If it is, I would like to see it broken down by the three (3) separate ones. Would it make sense that in this report it was broken down that way, or is it because it is all tied to one ordinance?

Mr. Shimonishi: I guess we would have to look at what is the importance, how is it set-up in terms of was it important to track those fees separately.

Councilmember Kualii: It is three hundred thousand dollars (\$300,000) worth of importance.

Mr. Shimonishi: Right. I am not aware of what the origin of the...

Councilmember Kuali'i: So, you will follow-up. Thank you.

Council Chair Rapozo: On camping, same concern, our last actual was two thousand fifteen (2,015) of one hundred thirteen thousand (113,000) and we are showing eighty, about thirty thousand dollars (\$30,000) less. Not sure why. Unless we expect the camping fees to go down.

Councilmember Kuali'i: Just for clarification near the bottom, it says, "Bus transportation, Ord. Public Welfare/Safe," what does that mean? Is it basically bus fare?

Mr. Shimonishi: That is where it is reflected on the ordinance. If you look at the first two (2) sheets of the...I guess it is called, "Section 1 of the budget ordinance." That is where that line item would be reported.

Councilmember Kuali'i: Is this basically the fare that people pay to ride the bus?

Mr. Shimonishi: Correct, revenues generated from the bus.

Councilmember Kuali'i: Bus fares.

Committee Chair Kaneshiro: Further questions for page 2? We will move on to page 3. We will finish with the General Fund, we will stop, and then on this page we will go through each fund. Any questions on the remaining General Fund items?

Council Chair Rapozo: "Fines/Forfeits/Penalties," is that Countywide, like in the Planning fines, is that all included in this one here?

Mr. Shimonishi: I am not certain if that includes the Planning Department fines. It would not include the fines related to the TVR.

Council Chair Rapozo: So those go into another special fund?

Mr. Shimonishi: Right.

Council Chair Rapozo: That is why it is important for us to have a list of all the special funds because I do not even know how much that all is, but it is being recycled back into the department, right?

Mr. Shimonishi: Correct.

Council Chair Rapozo: Okay.

Councilmember Yukimura: But these funds here in 491-10, 11, 12, 13, 14 – these are not recycled, they go straight into the General Fund?

Mr. Shimonishi: Yes. They comprise the total of revenues and received and budgeted into the General Fund.

Councilmember Yukimura: Right, so this year projected to be two hundred forty-three thousand dollars (\$243,000), is that right? Oh, no, wait a minute. That is the miscellaneous. The total of this category of line items is...

Mr. Shimonishi: Three hundred seventy thousand dollars (\$370,000).

Councilmember Yukimura: Yes, for FY 2017, which is a lot of money. Okay, but that is the projected amount. So, you will give us some break...I mean Service Charge Bounced Check, Sale Property-Public Auction, Transfer Vacation Credits...I do not know...

Mr. Shimonishi: I believe that is when you have a State or intergovernmental type of movement of an employee who has required vacation or sick time. I think it is vacation that comes across that we get paid for that.

Councilmember Yukimura: Okay. What a strange mix, but anyway...the Fines/Forfeits/Penalties, you will give us some idea of what those are?

Mr. Shimonishi: Yes.

Councilmember Yukimura: Okay. Thank you.

Councilmember Kualii: On the miscellaneous, it says, "Notes: incl. work comp, reimb, & TASC EE's unclaimed reimb," what is TASC EE's?

Mr. Shimonishi: It is related to an employee's benefits plan where the employee is putting aside tax deferred moneys to use towards their medical. I think there is other childcare expenses, but if they do not use all of that money, then it is a return back to the County.

Councilmember Yukimura: Flexi benefits.

Mr. Shimonishi: Yes.

Councilmember Kualii: How do you breakdown the two hundred forty-five thousand dollars (\$245,000) between workers' comp and then that other part that you just defined?

Mr. Shimonishi: We do not have this, but we can look at what it has been historically on the reimbursement side, I guess.

Councilmember Kualii: Okay, thank you.

Committee Chair Kaneshiro: As we go through this, they are not looking at the individual line item of workers' comp, reimbursement, TASC, they are probably looking at the overall number and they are trying to budget forecast based on that.

Mr. Shimonishi: That is correct.

Committee Chair Kaneshiro: If we do need the detail, be sure to let him know, but know that when they are budgeting for it, they are looking at the total number and if we really need to and want to know the detail, then we will ask them, but I know it is probably a lot of work for them to go out and break up the individual line items, unless there is a real need.

Councilmember Kuali'i: But I would imagine they had to do it to come up with the number, so it is just the matter of reporting how you estimated those three (3) different amounts.

Mr. Shimonishi: We are basically looking at historical and if something for some reason stands out that we know of or we experienced, we would try to adjust it accordingly, but other than that, you know I am not going back to look at the forty dollars (\$40) on the taxi cab.

Councilmember Kuali'i: We are talking about two hundred forty-five thousand dollars (\$245,000).

Mr. Shimonishi: Or two hundred forty-five thousand dollars (\$245,000) out of one hundred twenty something million dollar budget.

Councilmember Kuali'i: I just think, in general, we do not give enough thought to the revenue side sometimes. We do it on the expenditures, but...

Mr. Shimonishi: This is something relatively new that we started to provide.

Councilmember Kuali'i: And I am talking about us too.

Mr. Shimonishi: Oh okay.
Committee Chair Kaneshiro: We are coming up on a break.

Councilmember Yukimura: Let us finish this.

Committee Chair Kaneshiro: Do you have a question on the General Fund?

Councilmember Yukimura: Yes. I am puzzled why there is such a crazy mix of line items categorized together and maybe it is irrelevant, but maybe in the work that we are doing with the GFOA, because some of these seem like Human Resources stuff.

Mr. Shimonishi: I guess when you look at it from the revenue standpoint this is just other revenues or other miscellaneous type of things that are just grouped together.

Councilmember Yukimura: Yes.

Mr. Shimonishi: It is not Real Property Tax, public service company tax, not a license or a permit. It is just grouping together. As far as GFOA goes, one of the options that they have extended beyond the long-term financial plan is to look at another efficiency type measures to look at the chart of accounts and other things that we do, but obviously that is something that we need to talk about later.

Councilmember Yukimura: In some respects about budgeting best practices in terms of how you look at something, but that can be further down.

Committee Chair Kaneshiro: Any further questions for the General Fund.

Councilmember Chock: On Open Gov, the website, are these revenue sources assessable. Are the numbers put into detail?

Mr. Shimonishi: The numbers are at an account level of what you are looking at now, yes, they are, but when you are asking what makes this up...how much between the reimbursement versus the workers' comp or something like that, we do not have the account detail. We just have the account level numbers.

Councilmember Chock: Okay.

Committee Chair Kaneshiro: If there are no further questions for the General Fund, we are going to take our caption break and when we get back then we will start hitting the individual funds. We will start on the Highway Fund.

There being no objections, the Committee recessed at 11:04 a.m.

The meeting was called back to order at 11:14 a.m., and proceeded as follows:

Committee Chair Kaneshiro: We are on the Highway Fund, page 3. Do we have any questions on the Highway Fund? If not, we will move on to the Liquor Fund.

Councilmember Chock: The 412 Motor Vehicle Passenger, that includes the vehicle weight tax, registration fee, annual registration fees, everything in there. Is that correct?

Mr. Shimonishi: That would only include the vehicle weight tax. The notes on the side gives the basis for that.

Councilmember Chock: Yes, I see that.

Mr. Shimonishi: Which is the same rate per pound as the previous year.

Councilmember Chock: Right. Where is the registration fee located?

Mr. Shimonishi: The registration fee goes to the General Fund.

Councilmember Chock: Oh, we passed it already.

Mr. Shimonishi: Yes.

Councilmember Chock: I did not see it. I will look for it.

Committee Chair Kaneshiro: I believe it is on page 2, Intergovernmental Revenue.

Councilmember Chock: Okay, thank you.

Committee Chair Kaneshiro: Any further questions for the Highway Fund? If not, we will move on to the Liquor Fund. Any questions on the Liquor Fund?

Councilmember Kuali'i: The same one that Councilmember Chock was asking about, Motor Vehicle Passenger. Do buses...

Mr. Shimonishi: It is all combined into one account. Whatever the vehicle weight revenues are, we collect and deposit into that one account.

Councilmember Kuali'i: Does our buses pay that too?

Mr. Shimonishi: No, our buses are exempt. Our County police vehicles and so on are exempt.

Councilmember Kuali'i: So all our County vehicles are exempt.

Mr. Shimonishi: I believe so. I know for sure the Police and I would guess Fire and all of that as well.

Councilmember Kuali'i: So buses and Police, for sure, but maybe all the rest too. Thank you.

Committee Chair Kaneshiro: Moving on to the Liquor Fund. No questions? Beautification Fees? As mentioned yesterday, this is the money that comes out of the vehicle registration of five dollars (\$5) per vehicle, correct?

Mr. Shimonishi: Correct.

Committee Chair Kaneshiro: Okay, we will move on to page 4. Criminal Assets Fund. Any questions? No. We will move on to Solid Waste Fund. Any questions for Solid Waste? We are going a little fast, I know. Stop me, as long as we are on page 4.

Councilmember Kuali'i: The Landfill Disposal Charges. Is it being estimated to the decrease significantly?

Ms. Shimonishi: That is correct. Again, these estimates were provided by Solid Waste for whatever their reasons were.

Councilmember Kuali'i: So, like along the lines of where this year was already tracking. Thank you.

Committee Chair Kaneshiro: Okay. We will move to the Parks Improvement & Maintenance Fund, which comes out of the Spouting Horn vendors. Any questions on that? If not, we will move on to Housing & Community Development. Any questions on that? Okay. Any final questions for page 4? No. We will move on to page 5. We are on the Sewer Fund. No changes except for the sewer sludge disposal, a slight increase.

Councilmember Kuali'i: Along the lines of Council Chair Rapozo's question earlier, Sewer Residential, it seems to be on a rise for the last four (4) years by at least two or three million, but now for the coming year, they are leaving it flat. They are just basing that on the current year, because it is already off target for this year or at or below the eight (8) months going so far. Three point five million dollars (\$3,500,000) also, three point five million dollars (\$3,500,000) no change.

Mr. Shimonishi: I am sorry, you are talking about the Sewer Fund, right?

Councilmember Kualii: Sewer Residential.

Mr. Shimonishi: Right. It looks like that budget might be a little high, but again we have relied on Wastewater to give us those budget numbers.

Councilmember Kualii: I was thinking it is low because the trend is it is increasing every year, but this new year is staying the same. Are they just being conservative and not accounting for...I mean you are still collecting all of the revenue unless their fees go up, of course it does not go up, but new homes come online every year...

Mr. Shimonishi: I think if you look at the actual 2015, it is three point two (0.2), and then we budgeted three point five (3.5) in 2016, whether or not we will hit that remains to be seen and we just kept it flat for 2017.

Councilmember Kualii: But there is a way to see what it is to-date, right, to see if it is on track or if it is behind? Would Sewer do that or do you as Finance do that?

Mr. Shimonishi: Again, the numbers were provided by Sewer in terms of their budget revenues.

Councilmember Kualii: I am wondering if there is a way to get the eight (8) month actual on a lot of these big items to see if they are under-forecasting the revenue.

Committee Chair Kaneshiro: I will make one quick comment. It seems like in the budgeting process, they are budgeting to be conservative. I think the last thing we want to do is budget aggressively because then they will be able to add costs...

Councilmember Kualii: I am not saying aggressively, but realistically. I am not talking about aggressively. When we focus about realistic budgets on the expenditures side and trying to come up with cuts, we have to be realistic on the revenue side as well.

Committee Chair Kaneshiro: I am just saying that if they budget an extra two hundred thousand dollars (\$200,000) here, that is an extra two hundred thousand dollars (\$200,000) that will get spent in the budget also. I think they are budget revenue conservative and trying to get us close to actual on the expense side. We are on Sewer Fund. Further questions?

Council Chair Rapozo: I do not know if Ken was trying to look up the eight (8) month actual, I do not know if you have that available, Ken, for that Sewer Residential.

Mr. Shimonishi: For the Sewer Residential for the eight (8) months is at two million dollars (\$2,000,000).

Council Chair Rapozo: Okay.

Councilmember Yukimura: Does this show the arrears at all?

Mr. Shimonishi: No. These are just budgeting revenues going forward.

Councilmember Yukimura: Before we talked about that collection process, can you just tell me how we are doing on that?

Ms. Shimonishi: I would have to follow-up with Sewer and then see how they incorporate that with the County Attorney's assistance.

Councilmember Yukimura: I think there was an attempt to be more aggressive in our collections and I just wanted to know what the status is, as a follow-up.

Committee Chair Kaneshiro: We have an agenda item possibly going through for that. We will follow-up on that. Any further questions for Sewer? We will move on to the Golf Fund. Any questions? No questions, we will move to the Housing Revolving Fund. Any questions?

Councilmember Yukimura: What happened to the miscellaneous line?

Mr. Shimonishi: They were actually using that to...it was incorrectly being reported as the use of the fund balance as revenues, but it is not actually revenues. We just took that budget out of there.

Councilmember Yukimura: And the other rentals went up dramatically, Rents and Concessions from year 2014 at four thousand dollars (\$4,000) and the budget for FY 2017 is three hundred sixty-five thousand dollars (\$365,000). How is that accounted for?

Mr. Shimonishi: I would have to defer to the Housing Agency, but I also know that they submitted a consolidated worksheet as part of the budget ordinance and it might be available in that.

Councilmember Yukimura: But they were not consolidating it in 2014 and 2015?

Mr. Shimonishi: No, it is always part of the budget ordinance. They always have a consolidation packet included.

Councilmember Yukimura: Okay, so how did it grow from four thousand dollars (\$4,000) to three hundred sixty-five thousand dollars (\$365,000)? Should we hold off until when the Housing Agency comes?

Committee Chair Kaneshiro: Ken, if...

Mr. Shimonishi: Yes, I think that is a question that the Housing Agency should respond to.

Councilmember Yukimura: I would like to put that question out to them today so that we can get it before or at the time that they come before us. Okay.

Councilmember Chock: When do you finalize the actuals for this budget year?

Mr. Shimonishi: I am sorry?

Councilmember Chock: When do we get all of the 2016 actuals?

Mr. Shimonishi: When you get all of 2016 would be once the CAFR is completed.

Councilmember Chock: Right.

Mr. Shimonishi: Which would probably be December of this year.

Councilmember Chock: That is right.

Mr. Shimonishi: We can obviously put up preliminary numbers, which we think might be the CAFR numbers, but until the CAFR is actually issued...

Councilmember Chock: Right. Thank you.

Committee Chair Kaneshiro: The last two (2) items we have are the Kalepa Housing Fund and the Paanau Housing Fund. Do we have any questions on those funds? Again, the answers for these might end up having to come from the Housing Agency, but if you have a question, you want to ask Ken, you can ask it, and if he cannot answer it, then we will put it on the list so that the Housing Agency has a heads-up on it. If there are no questions, this is the end of our revenue section.

Councilmember Yukimura: I apologize for not being here for the discussion on the Highway Fund.

Committee Chair Kaneshiro: Page 3.

Councilmember Yukimura: Yes. Did we get a breakdown or maybe the OpenGov portal has it – a breakdown of how much is registration fees, how much fuel tax, and how much vehicle weight tax?

Mr. Shimonishi: Are you looking for what we have year-to-date as of eight (8) months?

Councilmember Yukimura: Well maybe a full year so it would be FY 2014.

Committee Chair Kaneshiro: They have the full year of FY 2015.

Councilmember Yukimura: Oh, okay...

Committee Chair Kaneshiro: The vehicle weight tax total is five point five million dollars (\$5,500,000) in FY 2015. They do not have FY 2016 until December.

Councilmember Yukimura: Is it on this sheet or was it something they gave to us?

Committee Chair Kaneshiro: The vehicle weight tax is on this sheet. The motor vehicle passenger line item is vehicle weight tax.

Councilmember Yukimura: What is the fuel tax? What is the registration fee?

Mr. Shimonishi: The registration fee is in the General Fund. It is not in the Highway Fund.

Committee Chair Kaneshiro: It is on page 2.

Councilmember Yukimura: Is that right? Interest.

Committee Chair Kaneshiro: It is an intergovernmental revenue.

Councilmember Yukimura: Why is it in the General Fund?

Council Chair Rapozo: Because we do not charge registration, the State does. We charge weight tax.

Mr. Shimonishi: Actually, if you look on page 2 of 6, in the middle, you can see charges for services, element 18, object 00, County Registration Fee. In FY 2013, it was nine hundred thousand dollars (\$900,000), then one million one hundred thousand dollars (\$1,100,000), and one million three hundred thousand dollars (\$1,300,000), and this year we are budgeting one million four hundred ninety-six thousand dollars (\$1,496,000). The basis on that – seventeen dollars (\$17) per vehicle.

Councilmember Yukimura: Is that the State registration fee?

Mr. Shimonishi: That is the County's registration fee.

Councilmember Yukimura: So the County has a registration fee and the State has a registration fee. I think I remember increasing the registration fee about three (3) or four (4) years ago.

Mr. Shimonishi: Correct.

Councilmember Yukimura: And it was terribly...I think it was kind of a shock to people because it had not been raised for fifteen (15) or twenty (20) years.

Mr. Shimonishi: Right.

Councilmember Yukimura: What is the fee now?

Mr. Shimonishi: It is seventeen dollars (\$17).

Councilmember Yukimura: Why is it in the General Fund?

Mr. Shimonishi: I think we would have to look at how it was established, but if you want to look on the screen, again, this is something we presented part of the GE tax surcharge. Again, just focusing on Kaua'i, right, you have your State registration fee, your State weight tax, obviously those numbers go to the State.

Councilmember Yukimura: The State registration is forty-five dollars (\$45) and our fee is seventeen dollars (\$17)?

Mr. Shimonishi: Yes. So, that goes to the State. Then you have the County emblem fee of fifty cents (\$0.50), which goes to the General Fund. The County weight

tax goes to the Highway Fund. The five dollars (\$5) for the beautification fee, which goes to the Beautification Fund.

Councilmember Yukimura: And the Beautification Fee is used for abandoned vehicles.

Mr. Shimonishi: Correct. And then the County registration fee of seventeen dollars (\$17), which goes to the General Fund. Again, as a comparison, we talked about the beautification fee, yesterday, and you can see the island of Hawai'i has a dollar (\$1) beautification fee, Maui is the same with five dollars (\$5), O'ahu is at seven dollars (\$7). The registration fee on Hawai'i island is five dollars (\$5), seventeen dollars and fifty cents (\$17.50) on Maui, and twenty dollars (\$20) on O'ahu.

Councilmember Hooser: Talking about the same subject. Who administers the County registration fee?

Councilmember Yukimura: We do.

Mr. Shimonishi: As far as collecting? Yes, we do.

Councilmember Hooser: So, we send the bill out?

Mr. Shimonishi: We send the bill out, but I believe it is on a Statewide system.

Councilmember Hooser: That is my question.

Mr. Shimonishi: Right.

Councilmember Hooser: Even though we get the money, we determine how much that fee is, but the State...it is on the registration certificate.

Mr. Shimonishi: Right, it is one bill – State, County, all of these are on one (1) bill.

Councilmember Hooser: So, we have a property tax system in which we charge different rates for different classifications because we control that system and we can control those classifications. Can we control the classifications on this and charge different vehicles different rates?

Mr. Shimonishi: I am not sure how far our authority goes. I am guessing we could.

Councilmember Hooser: I know we have the authority to charge the fee, but it is more of a question over managing the paper, if you would.

Mr. Shimonishi: Right.

Councilmember Hooser: Do we have anything to do with managing that billing system?

Mr. Shimonishi: I am not sure about actually managing the billing system, but clearly we can put in changes to it, but I understand it is a Statewide...

Councilmember Hooser: So the change would be...if we can create different categories, like we do now with hotels and resorts and the same with the emblem fee. The emblem fee is collected during the same process, is that correct?

Mr. Shimonishi: Correct.

Councilmember Hooser: So, I guess the same principle would apply, are we allowed to have different categories for different kinds of costs.

Mr. Shimonishi: I mean the emblem is the emblem, right.

Councilmember Hooser: Right, but we can charge one amount for an emblem for a Lexus and one amount for...

Mr. Shimonishi: Does the emblem change with the vehicle, I guess, and that is a different...

Councilmember Yukimura: It is the cost of the emblem.

Mr. Shimonishi: It is a different policy question, I guess, I would say.

Councilmember Hooser: Okay, thank you.

Councilmember Yukimura: I am still not clear why our registration fee goes to the State...oh no, goes into the General Fund.

Mr. Shimonishi: General Fund.

Councilmember Hooser: Not in the Highway Fund?

Mr. Shimonishi: No, only the vehicle weight tax.

Councilmember Yukimura: And you are clear either, Ken?

Mr. Shimonishi: Not since coming here in 2013, no.

Councilmember Yukimura: What was the year that...I am assuming this has been a practice for a while now? It was obviously was not made during your tenure, the decision.

Mr. Shimonishi: Correct.

Councilmember Yukimura: I would like this as a follow-up question, what was the first year that the registration fees started going into the General Fund and what was the rationale, if that can be determined.

Mr. Shimonishi: And I am just going to guess that it is to cover the administrative costs of doing the registrations, but again, that is just my guess. I can look back as to how far it goes, but I am thinking it goes quite a way back.

Councilmember Yukimura: And you are thinking...I am interested in your thoughts about why, because there is a legitimate reason, which is good that there is a legitimate reason. You are saying that it is to cover the cost of registration, which is sort of like motor vehicles and collections owing that to the General Fund because their salaries and so forth are paid for by the General Fund. That is the rationale you think might be the case?

Mr. Shimonishi: That is correct.

Councilmember Yukimura: How much has this fund grown? What percentage of collections is collection of...

Committee Chair Kaneshiro: The County registration fee?

Councilmember Yukimura: Yes.

Committee Chair Kaneshiro: We can see the 2013, it was nine hundred thousand dollars (\$900,000); 2014, one million one hundred thousand dollars (\$1,100,000); 2015, one million three hundred thousand dollars (\$1,300,000), and then we had budgeted about one million five hundred thousand dollars (\$1,500,000).

Councilmember Yukimura: It is growing quite significantly and it might be more vehicles rather than...I would also like to know when we increased the registration fee just so we know when that additional income came in and then from then on, it would just be the number of vehicles presumably because the fee would remain the same. Right?

Mr. Shimonishi: Yes.

Committee Chair Kaneshiro: Did you understand the question?

Mr. Shimonishi: I understood the question, but I was just hoping that maybe Council Staff could look up the ordinance of when it increased.

Councilmember Yukimura: We can do that, probably. I guess we can go back and look at the Administration's...because I believe it was an Administration's proposal.

Committee Chair Kaneshiro: January 1, 2014.

Councilmember Yukimura: Thank you, Scott. 2014. Okay, so that would account for the jump...if that was January 2014, it would be in FY 2015. No, FY 2014.

Committee Chair Kaneshiro: We have the trend right here. From 2014 – 2015, it went up about two hundred thousand dollars (\$200,000). It is probably the combination of increased cars and maybe some of the fee, but from 2013 – 2014, it went up about two hundred, also.

Councilmember Yukimura: Well that maybe the end of the recession and increasing economic activity. Okay, can you find out for us when the registration fees started going into the General Fund and the possible rationale? Thank you.

Mr. Shimonishi: Okay.

Committee Chair Kaneshiro: Any further questions for revenues, fees, and licenses? If not, we will take a quick five (5) minute break, so that Economic Development can set up. We will be back with Economic Development.

There being no objections, the Committee recessed at 12:25 p.m.

The Committee was called back to order at 12:25 p.m., as proceeded as follows:

Committee Chair Kaneshiro: Next, we have the Office of Economic Development and George; you have a presentation you will take us through.

GEORGE K. COSTA, Director of Economic Development: *Aloha*. We are here today to obviously to present our budget presentation, but first, I want to just highlight our mission – working in partnership with the community, various organizations, and other government sectors to create and build economic opportunities for our island. Job creation is also important and when we talk about our budget, a big portion of our budget is relating to the various grants and projects that come out of our office. We have five (5) specialists, I want to highlight, besides the specialists, and myself, we have four (4) support people. In our budget, another portion besides the programs are salaries and wages and I just wanted to point out that the members of our Economic Development team do utilize County funds...I feel, efficiently by being out in the community. A lot of what we are going to be discussing today are the various projects that have been approved and funded by the Council and our request for next year, but also what we are responsible for doing is being out in the community, as I mentioned, and being in partnership with the community. That means, evenings and weekends, we are out there with various organizations and connecting the dots. A lot of our community are working on very, very good projects and sometimes we have two (2) different organizations working for the same goal that might be part of what the County is wanting to do and so our role at times is connecting these various organizations together even though it does not show up on our list as one of our projects.

In starting with the various projects within our department, we will start with tourism. It is our main economic engine and in 2009, during the great recession, we came to the Council and asked for one million dollars to bolster our economy or start up our economy again. Now that our economy is doing well, we want to credit our partners, mainly the Kaua'i Visitors Bureau (KVB) and the hotels. Nalani Brun is our Tourism Specialist, she is also our Program Administration Officer, and she works closely with the KVB on the various consumer promotion grants programs, which includes travel shows, *kama'āina* website, and the like. KVB is very targeted and uses the County funds to focus on those programs that might not be covered under the Hawai'i Tourism Authority (HTA) funds and the Hawai'i Visitors and Convention Bureau funds that she gets. Also, Nalani is responsible for the HTA and the County's CPEP Grants. At least thirty-five (35) projects a year and coordinated by Nalani. A total of 45 grants, almost about a half a million dollars and I know all of you sitting at the table have attended these various activities, not only do they bring our community together, but visitors and people alike enjoy these festivals and events that take place around throughout our island and throughout the year. Working with Nalani very closely is Melissia Sugai, she helps to update the Kaua'i Festivals website and work side-by-side with Nalani on her various programs. The Airport and Harbor Greeting Programs has been supported for a number of years, actually since the recession when the State reduced the funds for the airport greetings, now, we have started up with the harbor greetings and utilizing the *kūpuna* through the Alu Like Program. That is scheduled to start in a few days. That will bring the *kūpuna* down to the Nāwiliwili Harbor to greet the cruise ships when they arrive. Also, in this year's funding is the 2016 World Conservation Congress post tours. The main Congress

will be on O'ahu, but we are promoting Kaua'i as a destination after the Congress and working closely with the National Tropical Botanical Gardens to initiate programs for those who choose Kaua'i has their post conference tour. Cultural projects (stewardship development) the Mayor talks about it a lot as part of the Holo Holo 2020 vision. Right now, a few stewardship agreements that we are working on is the Kukui Heiau, which is in Wailua. Another project that we are also working on is Hokualele, in Anahola, and as far as the *moku* projects, working with Ni'ihau, on the Ni'ihau language support and project development. The Ni'ihau language is unique and is something that we should strive to preserve, so that is one of our projects we are working on to fulfill a project in each *moku*. As far as special events and security grants, we have had up to 14 grants this year. Again, this provides funds to various organizations to help pay for Kaua'i Police Department to monitor and control traffic at these various events, which includes the Kaua'i Marathon, Kapa'a First Saturday, and other smaller events. As far as the Visitor Industry Strategic Plan, Diane Zachary is our consultant with that and has held several meetings and has formed seven committees. Those committees now are working each month on implementing a lot of those items that came out of the strategic plan. Then of course last week you heard from the community Host Benefits program and the wonderful projects that they are doing, especially the Solarized Project. Last but not least in our Tourism, the UHERO Report or the University of Hawai'i Economic Report is something that we have contracted this organization to provide us with various information on our economy and we are scheduled to have an update with the UHERO staff in a few weeks.

As far as Sustainable and Energy, this past year, one of our main focuses is to reduce our energy usage within the County and be an example for our community. As you can see by this graph, that purple line shows that for the second year in a row, we have been below the start or baseline of 2014. We continue to look at ways of being more efficient in energy use within the County. Some of our programs that are being worked on by our Sustainability and Energy Coordinator Ben Sullivan are a commercial food waste diversion project, which is basically working with our local agricultural providers as well as our restaurants in encouraging them to...whatever food waste that is not committee towards hog farmers, to have them coordinate an effort instead of going into a landfill. Another project recently completed is the Civic Center Chiller replacement, which would also benefit our overall energy consumption. We have more energy efficient chillers that we were placed on the Piikoi Building and this was a coordinated effort between the Office of Economic Development and the Public Works Department. A survey was sent out to County employees on climate change survey and the bottom line result is that climate change is important to a good portion of employees. It also highlighted the need for more education on climate change and a lot of the ramifications if we do not change our ways. Then also the County motor pool project, I know it has come up at a previous discussion. We have had our pilot program last year and we are looking to continue that program with another vendor. As any pilot program, we had a few concerns with drained batteries and there were a couple of factors relating to that. We have met with Duane Adachi from the motor pool and Ben Sullivan to find out what caused those concerns and how can we best address them for the next implementation of the motor pool project.

Agriculture is another huge area of our department. We support various agriculture based organizations within this year's budget. Support for the Kaua'i Tropical Flower Association. We also support the Cattleman's Association and the Kalepa Cattle Shipping Facility and Holding Pen. This initiative was started a few years ago basically to take the cattle that were brought down to Nāwiliwili Harbor and building this facility up at Kalepa. Each year, we come before you requesting funds for the maintenance of this facility. Besides maintenance of the holding pen, we also have maintenance of irrigation ditch system. A lot

of our former sugar cane plantation irrigation ditches are still in place, but in disrepair. We provide support to the East Kaua'i Users Co-op and they are responsible for a section of the irrigation system on east Kaua'i in the upper Kapahi and Wailua areas. We also have the islandwide Ag Park system. This year funding fifty thousand dollars went towards what was the Kilauea Ag Park, now known as the Kilauea Community Agricultural Center and that funds was used to clear the 75 acres of abandoned automobiles. When I came to this body last year, I had visited the site and counted over twenty cars, after the cars were completed, they removed over forty cars. There were a lot of appliances and other types of litter that was removed from the site. The Sunshine Market Monitor Program – we provided a grant to the Garden Island RC&D for the Sunshine Market Monitor. Terry Phillip's did a really good job in being our monitor for the last three and a half years. She has since taken a job with the County in Real Property Division and so that created a void and we filled that void with Dan Fort who we hired a couple of years ago to be our Ag Compliance Specialist and Dan has been our Sunshine Market Monitor. He also inspects the farms, which is part of our program to ensure that all the farmers that are selling in the County Sunshine Markets are actually growing what they are selling. Sunshine Market promotions, we have created some banners that we are going to start displaying out on the roadways to...a lot of people are aware of the Sunshine Markets, our visitors as well, but we would like to get more people aware of that. A recent example is the Kōloa Sunshine Market where the market itself for a number of years was held in the back parking lot of the Kōloa Ballpark. We have since moved it out to the front section parking lot and have put up banners, and now we have seen an increase to the participation to that Sunshine Market. As far as the Kaua'i Slaughter Facilities, we continue to support our cattle ranchers, namely the Sanchez and Andrade processing facilities. They utilize this money to keep their facilities upgraded so that they are in compliance with USDA specifications. The Kaua'i Invasive Species Council, we met with them recently for an update on what is being done with the moneys or funds that is provided from the County. They do a great job. Initially, this is more of a State requirement, but it is our *kuleana*, it is our island and we feel with the limited resources they have, they do a great job in addressing invasive species, mainly coqui, the red ant, fire ant, and other invasive species that are plaguing our island. The Kaua'i EBT program, is a continuation. This is coordinated by Mālama Kaua'i. They receive a fifty thousand dollar grant to provide EBT at various Sunshine Markets and we have shown an increase in the participation of the EBT program from last year. A couple to mention, the Bee Pollen Study and Korean Organic Farming Study were actually funded the year prior. They got a late start and so they are finishing up those two studies by June. The Bee Pollen Study, we are working with Kaua'i Beekeepers Association, as well as the State Apiary Danielle Downy, she actually left her position, but is committed because she started the study, she will finish it in June. That is basically studying the bee pollen for pesticides and other harmful chemicals. The Korean Organic Farming Study that is spearheaded by Ray Maki. I just visited their farm in Molokā'a last week to see how that Korean Organic Farming method works. Basically, remediating the soil from chemicals that were placed on the soil during the sugar or pineapple days. So far, they are waiting test results, but it looks like their study or example is doing well. Next month, we have the Ag Forum Workshop. That is being convened by Kaua'i Economic Development Board, Susan Tai and her staff, to bring various agriculture stakeholders together. It started out as looking at agricultural parks and now we are basically looking at the viability of farming and what we can do to assist farmers here on the island of Kaua'i.

Ka'eo Bradford is our Workforce Development Coordinator. Ka'eo does a great job in working with all of these WIOA members that assist her and are a part of her board. They meet on a regular basis to look at our workforce development challenges. The Federal government changed the Workforce Investment Act to the Workforce Innovation Opportunities Act and there is a lot more requirements needing to be done to be in compliance

with that new act. Ka'eo is working diligently with her board as well as with the Workforce Development Council on O'ahu to ensure that not only Kaua'i, but all the Counties are in compliance so that we continue to be eligible for this very important funding from the Federal government. She also works closely with Workwise staff, which is the Department of Labor, Workforce Development in job fairs, and also Ka'eo started a Kaua'i Business fair this year, which was well attended and we are looking to continue that into next FY.

Creative Industries mainly film and small business that is now being coordinated by Randy Francisco. Randy is actually preparing to attend the Association of Film Commissioners International Tradeshow in Los Angeles in a few days. It is an annual event that brings not only film commissioners together, but many film industry stakeholders together. It is a great opportunity to network, especially with the film studios to see what is on the horizon as far as opportunities for Kaua'i and the State. Randy is working on a marketing program and what we recently have done is engage the film and industry related stakeholders. We held a meet and greet late last year and have since formed an advisory committee made up of stakeholders. We are looking to the advisory committee to assist Randy in helping us put this marketing program together. We spend quite a bit of money on promotional materials, on attracting production, managers, and studios to Kaua'i. We want to be more efficient with our money and a lot of our stakeholders that are part of this advisory committee have experience working in Hollywood and with different film production and so what better way to call upon their experience and industry connections. Also last year, we started the Garden Island Film Festival. This is in conjunction with the Hawai'i International Film Festival. We feel it was a great first step and we will continue the Garden Island Film Festival and hope to make it an annual event.

As far as Sports Marketing and Sister Cities, that is being coordinated by Art Umezu. Right now the focus is on sports marketing programs with Japan and see how we can utilize our sister city relationships to encourage some economic opportunities mainly through sports. Focusing primarily, right now, on the Kaua'i Marathon and increasing our numbers on Japanese runners. As you may know, we have a sister city relationship with Iwaki, Japan. They also have a marathon that we actually do an exchange program with. The winner of the Kaua'i Marathon will go to the Iwaki Marathon and run there and the Iwaki Marathon comes here. We would like to utilize that relationship to promote the Kaua'i Marathon and increase our Japanese runner numbers for this event. Other programs that Art is working on are cultural programs with *ukulele*, *hula*, and steel guitar. We have quite a few Japanese *kumu hula* that either come or would like to come to Kaua'i. Many of *hula* chants and *mele* originated here on Kaua'i and our Japanese brothers and sisters are very interested in that and have shown interest in coming to Kaua'i to see these special places. We would like to develop a program where it is a coordinated effort to bring them to Kaua'i and work with our visitor industry. By supporting the visitor industry, Art is also called upon for emergencies anytime our Japanese visitors have either medical or any kind of emergencies, Art is called upon to work with the KVB to assist with that. As I mentioned, Art has been working with our sister city program for a number of years.

From the Administration standpoint on our budget, we have these items under the administrations purview: Emerging industry support. This year we are working with the National Tropical Botanical Garden and Diane Ragoni to look at *'ulu* as an industry and how can we best utilize this crop, not only for value-added products, but seeing if there is a viable industry in the works creating flour to create other big products. Also, working with the Kaua'i Native Hawaiian Chamber of Commerce who is starting a Native Hawaiian Business Directory. One of our very close partners is the Kaua'i Economic Development Board and working very closely with Susan Tai Kaneko and her staff and working on the various

projects that they are responsible for, one being the Agriculture Business Plan Competition that is scheduled to take place this summer. The first business plan competition that they held a few years ago was well-attended and a couple of winners from that business plan competition are doing very well in our business community today. Also, we have the Kaua'i Creative Technology Center, pre-construction and environmental assessment taking place. Peter Vincint is the lead architect and is working with various consultants on the environmental assessment looking at this wonderful facility being housed adjacent to the Kaua'i War Memorial Convention Hall. We also support two programs with the YWCA, the Family Violence Center and Sexual Assault Treatment Center. I understand that these two programs that we fund each year are very important to the overall mission of the YWCA and so we support them very wholeheartedly. Promotional materials support. This is a line item that we have in our budget each year and again, in looking at the County funds and each year it gets more and more difficult to fund our budget, so we were trying to be very efficient and diligent in promotional material support. You may recognize this as our goodwill bag that we put together for various organizations that go to the mainland and attend various festivals and events and conferences. They always ask for what we would refer to as *omiyage* and these are the items that we supply each year through these various organizations. As you can see some of the numbers are quite large: aloha cards, gift bags, they are not very large items, but they mean a lot to those taking the *omiyage* and those who receive the *omiyage*. Our administrative staff, as I mentioned, does a great job, but we are a small staff. Between Therilynn Martin-Haumea and Melissia Sugai, they help to track ADA grant projects for OED during 2015-2016. I mentioned Melissia Sugai – she has taken over the Kaua'i Made program. Beth Tokioka before leaving, worked with Melissia for little less than a year and felt real confident that Melissia would basically carry the torch of the Kaua'i Made program and has done an excellent job recruiting new entrepreneurs with value-added products. She created and updated the Kaua'i Made brochures, working with new retail outlets, and new vendors. Melissia just recently returned from the Maui Ag Festival and Made in Maui Festival for new ideas. We are looking at creating our own festival in the next FY. She also helps with the support of Kaua'i Made vendors that attend Hawai'i on the Hill, which is very important and this June will be the third year and Hawai'i on the Hill will be held and that is in Washington D.C. Some of our challenges that we have, I mentioned the HTA funding on our festival and event CPEP, Nalani Brun very concerned, that HTA is not committed to future years to funding this very important sector. HTA's mission is to have these festivals and events started and then get these organizations to be on their own and self-sustaining. I cannot speak for the other Counties, but for Kaua'i a lot of these events are large events and really those organizations that put on these events that really count on both County and State funds to put on these. Kaua'i Nui Kuapapa – we are working with the State Department of Transportation of Highways on the approval of signs for the *ahupua'a* signs. Now that Larry Dill, our former County Engineer is in that position, Nalani says that we will prevail and we are very confident that we are working with Mr. Dill to get those approved so we can install those signs. They are almost a year behind schedule to be installed and we are waiting on State approval. The motor pool, obviously we have some challenges, but we are looking to work through those.

As far as the upcoming budget on Tourism. We will continue with the sports marketing program; promoting the Wailua Golf Course and other golf courses here on Kaua'i to generate more revenue for that facility. The Kaua'i Visitor Consumer grant, we continue to work with Sue Kanoho on trade partner blitzes and travel shows and focused programs on promoting Kaua'i. One area she would like to work on is tandem surfing with Kalani Vierra who is our local champion, so Sue is looking to promote tandem surfing. Again, HTA CPEP grants we are counting on continued funding, so Nalani is being vigilant and very positive on that. We continue with airports and harbors greetings. Kaua'i Nui Kuapapa, the interpreter

signs are scheduled to be installed as well besides the *ahupua'a* signs. We have one interpreter sign going up at Kāneiolouma in a few months and then of course the follow-up with the 2016 World Conservation Congress, post tour support. Cultural grant support, again, this is moneys that we set aside for cultural programs that we may not know right at this time, but during the course of the year, we have funds available to assist various organizations and cultural programs. We would like to continue with our special event security grant. This is providing coordination with KPD on traffic and securing at our various festivals and events. The Visitor Industry Strategic Plan, this is the last year of funding and it is working with Diane Zachary on the various teams that she has created for the tourism strategic plan implementation. Then of course grant writing, Nalani continues to look at various grant opportunities to help support the tourism industry. Agriculture, we are looking at the Kaua'i Grown program, working with Lori Ho and Amy Chun on moving the Kaua'i Grown program and the Kaua'i Made program side-by-side. As mentioned, Melissia Sugai has done an excellent job in really increasing the awareness of the Kaua'i Made program and increasing the vendors that participate. We also want to do the same thing with Kaua'i Grown – promoting our farmers and ranchers. Other projects that we continue to support include the Sunshine Market Monitoring and administration. The Kaua'i Tropical Flower Association. This year, we are also asking for one thousand dollars to help with the support of the Hawai'i Tropical Fruit Growers Annual Conference that is going to be held here on Kaua'i. We continue supporting the Kaua'i Cattlemen's Association through the Kalepa Holding Facility, as well as the slaughter facilities. Also, support for East and West Kaua'i Soil and Water Conservation district support. This is the title in our budget is referred to as grading permit, but really it is support for the East and West Kaua'i Soil and Water Conservation that all the information and support they provide for farmers and ranchers in grubbing and grading situations. Continuation on the Kīlauea Community Agricultural Center, the funds that we are requesting this year will help to develop the Sunshine Market area in grading the road, planting the grass, and the funds will be used as matching funds for other grants that (inaudible) which is the organization that has a stewardship agreement with the County and looking at raising funds to building restrooms facilities in that area. As I mentioned, Kaua'i Grown/Kaua'i Made tradeshow, and creating our own show and similar to that on Maui. This will promote our local farmers and ranchers.

The Kaua'i Invasive program continues support, working with them, and the FFA summer internship program, last year I came to the Council and I asked for acceptance of a Department of Labor grant. It ended up going directly to the DOE. I was asked to coordinate that entire summer internship program and I felt that it was really successful. We had students from Kaua'i High School FFA program working at three farms. We tried to make it interesting for them, so during their six week summer vacation, they spent two weeks at Jerry Ornellas' orchid farm, two weeks at Kaua'i Fresh Farms out in Kīlauea, an hydroponic farm, and then they spent two weeks with Moloka'i Bay Coffee. They got to learn how to make chocolate and in working with the three farmers, they not only worked in the actual farm, but they also worked and were shown how these various organizations do their marketing to bring their product to market. Continued support for the Kaua'i EBT program through Mālama Kaua'i. We are also requesting funds to do a study in working with the Hawai'i Agri-Tourism Association, Lani (inaudible) has vast knowledge and we are looking to her to see how she can work with the Kaua'i Grown program. We have a website and we would like to have a more interactive website that connects the farmers and ranchers to retailer to restaurants and chefs. Sustainability and Energy – continuing to look at reducing our energy consumption here with the County. Also, reducing the County transportation fuel. One of the projects that Ben is working on is alternative fuels with the Kekaha Landfill and also the implementation and development of the operations of the sustainability plan. One

of the initiatives that Ben is introducing is to initiate a County-wide climate action plan and partnership and that is one of the larger request that we have in our budget this year.

Workforce Development continuation with the transition from WIA to WIOA – these are some of the measures that have been established by the State Workforce Development Council in conjunction with requirements from the federal government to ensure that our adult dislocated worker and youth programs are in line with the overall mission. As I mentioned previously, Ka'eo Bradford, works diligently with our community and business partners to ensure that these programs are meeting their expectations. As you can see here from that picture on the right, this is a snapshot of one of our job fairs that we held at Kaua'i Community College. Ka'eo is also looking at continuing the Kaua'i Business Fair and also looking at other grant opportunities to help support the overall mission of workforce development. From the Creative Industries Realm and Small Business, here you see promotional pieces by the KVB that will be used in the trip that Randy will be taking to the AFCI tradeshow. Also, to your right is the Creative Technology Center, again, this is a Kaua'i Economic Development Board project. This year, we do not have a request for funding from the County. What we are working on right now are programs to ensure that we engage the stakeholders here on Kaua'i, to develop programs that when this facility is built and open, that we have programs in place and we will not be working on these programs two or three years from now and we are actually starting the investment now. I mentioned the AFCI tradeshow – the film advisory committee that is assisting Randy with various initiatives from the creative industries arena and then also the Garden Island Film Festival, we are looking at continuing and improving that great program. Sports marketing and Sister Cities. As I mentioned, focusing on the Kaua'i Marathon, increasing Japanese runners, and looking at continuing with some of the sports: baseball, basketball, and I know one of the ideas we talked about was to look at the possibly of starting up – I know when I was in high school, a high school from Japan would have an exchange football game with Kaua'i High School. One year, the school from Japan would come to Kaua'i and the next year Kaua'i High School would go to Japan. The projects we are looking at are similar to those where our visitors are those that come to Kaua'i for the sports event, are also bringing their families and friends with them.

From the Administration standpoint – working with the emerging industries. Next year, we are looking at working with the Kaua'i Economic Development Board on the Kaua'i food production center. This is our consultant. This project is a year behind the Creative Technology Center. When we first looked at our CEDS, we had two projects that came out at the same time: one was for a Commercial Kitchen and the other one was for Slaughter and Processing Facilities. Those morphed as you know into a food hub, and then they morphed back into individual projects. The food production center is a result of the commercial kitchen project that has grown and now we are working with the University of Hawai'i system, specifically Kaua'i Community College to build a facility on campus. Helen Cox is working with her staff to create a curriculum that will not only have a facility there on the KCC campus, but also have a curriculum that would have entrepreneurs go through business planning and business education as well as creating value-added items through this food production center. Continued support for YWCA and their programs. Also, the promotional materials support that I mentioned earlier, that continues to utilize a lot of the inventory that we have. As I mentioned and I cannot say this enough, the partnership between Kaua'i Made and Kaua'i Grown and really building those two programs together.

Committee Chair Kaneshiro: George, we have about five more minutes before we have to take a lunch break, so if we can speed it up.

Mr. Costa: Okay. Mayor's Crime Task Force, we continue to work with KPD, Prosecuting Attorney's Office, and various sectors of our business community and the KVB to address crime in our businesses and neighborhood. We feel it is a great venue to not only hear from the business community and the general public, but also get the word out from KPD standpoint on the some of the projects that they are working on to address community concerns. We share information that will not compromise whatever project they are working on. This is a snapshot of the various grants we have. Primarily our two main grants are the Hawai'i Tourism Authority grant, as I mentioned working with Nalani Brun on festivals and events and the other is the Workforce Innovation and Opportunities Act working with adult, adult dislocated, and youth programs. This year, Ka'eo was able to get from the Vocational Rehabilitation Department on a grant for summer interns. Ka'eo is working closely with the Vocational Rehabilitation on putting some of our special needs persons to work this summer. Right now, we have a request from the Department of Agriculture on a \$75,000 grant, in addition to what the County supports, the irrigation ditch systems on Kaua'i through the East Kaua'i Water Users Co-op.

This just shows the CPEP grant and the breakdown of the grant funds, match, and the in kind for those festivals and event funds. You have seen our Office of Economic Development budget. As I mentioned, the majority of our budget is in programs and grants. A good portion is also in salaries and wages, and then we also have operational expenses, mainly travel. Each one of our specialists takes two trips each year for their various conferences in their discipline. And another snapshot or pie chart in graph to show the comparison of where our funding goes. Another breakdown of our budget. As you can see 10% of our budget is in salaries and wages and then operations...excuse the increase in our salaries and wages is by ten percent (10%) and we have about five point six percent (5.6%) increase in the operations, mainly the one grant that Ben is proposing for sustainability. Overall, our proposed budget increase is five point one percent (5.1%). That is it. Thank you very much. *Mahalo*.

Committee Chair Kaneshiro: We are going to have to take a lunch. My one criticism on the presentation is it was repetitive and I had a hard time following...if you go through it, you could do the goals and objectives and put all of the projects. You had them all broken up between agriculture, film, energy, and that is how we have it broken up in here. So, if you go through goals and objectives, you say, "agriculture," you go through your goals, you have the projects listed and you put the number next to the projects, it would be way easier for us to follow.

Mr. Costa: Okay.

Committee Chair Kaneshiro: Because I had a hard time going between the projects and my sheet and trying to figure out what number those projects were, too. You can talk about your goals and objectives with the projects and any new projects that are in there, you can highlight them out, and any successes within that category, you can explain them now because we saw successes and goals and objectives, and many of them were repetitive. That is just my one criticism. Again, having the number next to it because it was very difficult to go through this. We are probably going to get questions coming up saying, "What is this for and what number," and you probably explained it here, but we do not know where it goes.

Mr. Costa: Okay.

Councilmember Yukimura: I too would like, in the afternoon, to have a clear outline of what the goals and objectives are for this coming year and essentially you are going

to be telling us what you are going to achieve with the budget that we give you or that you are asking for.

Mr. Costa: Okay.

Councilmember Yukimura: Yes, and that is not very clear.

Committee Chair Kaneshiro: With that, we will take a one-hour lunch break.

Mr. Costa: If I could real quick. So, the order in which it was presented, even though we did not have the numbers, it is the same order as the budget. So, if you follow the projects, it is in that line. I apologize, we did not put the number right next to it, so when you look at the programs, it follows that order with the different projects, but we can cover that at the next session.

Committee Chair Kaneshiro: Yes, I still had a difficult time...I do not know if it really went in order because I still had a hard time following with the number and the projects. Having the number there or following this sheet, even if you...I know you have grant and aid and other services, even if you combined the agriculture for all of them and you have them all broken down, it would be much easier to follow with the number.

Mr. Costa: Okay.

There being no objections, the Committee recessed at 12:37 p.m.

The meeting was called back to order at 1:37 p.m., and proceeded as follows:

Committee Chair Kaneshiro: We had our presentation by the Office of Economic Development and I will take any questions on the presentation.

Councilmember Chock: Because of the comments that were made by Chair Kaneshiro and I agree with some of them, the kind of questions that are coming up for me are more strategic in nature. Do we have a strategic plan in place for OED? Maybe we can have this in a follow-up, but great job on the scope of how it is you are delivering and getting all of this grant funding out, but I would like to be able to connect them directly to what I believe is the main focus of our *kuleana*, which is jobs, businesses, and keeping them...you know how many have we generated? How are we going to generate it? I think you definitely a balanced mission and I appreciate that, but how are we developing these industries? I would like to see a correlation to that, if possible. I am sure that that information is there, I just have not seen it in this presentation. Do you have any?

Mr. Costa: No, we do not actually have that. Maybe I could preface my response by, when I came into OED and when we go through the budget line by line, I would say more than 50% of what is there are legacy projects that has been...I guess through the different directors of OED. At some point in time it was deemed important and feasible to continue. We have quite a bit of projects that are legacy projects. They support various industries and that is why we have them categorized by agriculture, tourism. When you look at tourism, for example, we work with our partner, the KVB, so Sue Kanoho will meet with Nalani and she will have an idea or plan that she would like to implement. But a lot of what she does, as you notice, is carry-over projects of initiatives that did well for us in the past and we continue it. Basically, a lot of updates. I do not know if for brevity sake, would be good going forward in looking at our budget because a lot of what we present and

review are those same projects that were determined at some point in time that were important to continue to support whatever organization it is. Maybe we should start from zero and just say, "okay, from now on, here is your strategic plan for economic development for Kaua'i." Right now, we utilize the CEDS, which is a community-based plan that we update every five years. We have used that as a road map since 2004-2005. Maybe it is a different plan that we need to look at. Your point well taken, but as far as the budget that is being presented and has been presented, at least in the 7 years that I have been here, majority of the projects are ongoing and support various organizations. Now, some of them do good community and they help in their field, like the East and West Kaua'i Soil and Water Conservation district. Even though that fund goes to that organization who help with grubbing and grading and education and all of that, does it create any jobs, I am not too sure. I am assuming some of the projects that they do work on help other developments, but I cannot say exactly 10 jobs for this five thousand dollars.

Councilmember Chock: Thank you. You totally understood where I wanted to go with this and I think if we can spend some time in making those dots connect, I think it would be more compelling from a budgetary standpoint for continuing investment. I think the bottom line is that we need to be able to materialize that data in terms of jobs and businesses that we are fostering. Thank you.

Councilmember Yukimura: I just wanted to follow-up on what Councilmember Chock has said. I think in all departments, we are trying to get really clear connections between what the mission and the goals of the department are and what their budget is. We want to see that the budget is structured so that it is achieving the mission and goals of the department. It is my understanding that the CEDS is the arena of OED, so it would be wonderful to tie all of your work, unless you think there is some other missions to the CEDS. I do not know if the CEDS actually addresses energy and sustainability, but I think we all know that is kind of the bottom line for everything. Everything takes energy. If energy is extremely expensive, it affects all the work we are doing. I think that is a valid part of OED. How are the legacy projects connected to the main goals and are they going to move us toward their goals? Because if we do not keep our projects current, with the current mission, then we are not going to achieve our goals. I would love to see those connections made.

Mr. Costa: Okay.

Councilmember Hooser: It is related to this because it does seem like a catch-all for things that are tangibly related to economic development. My question has to do with agriculture. I believe it was last year was the first year we did not have an agriculture position in the budget.

Mr. Costa: Right.

Councilmember Hooser: I am very concerned with that. How many staff do you have?

Mr. Costa: We have 10 in our department, including myself.

Councilmember Hooser: And no one is dedicated to agriculture?

Mr. Costa: I am the agriculture person.

Councilmember Hooser: But you...and I appreciate that, but there is no dedicated staff for agriculture. What percentage of the budget goes to support to agriculture?

Mr. Costa: You can just add up the numbers on the agriculture section, next to tourism, it is probably the biggest sector that we support. That is why I referred to in the beginning the different staff that we have, when you look at salaries, it is not just the Monday through Friday, it is all the evenings and weekends. Because I am the point person for agriculture, I can honestly tell you that a lot of my time is spent on agriculture where it is visiting the Kaua'i Organic farm, Kīlauea Park, working with East Kaua'i...all of these organizations, I spend my time connecting with to see what is important to them. Obviously, our budget only goes so far and I could be wrong, but I just feel that my time spent working with these various organizations, even if we do not have money to contribute to them, I can help them connect a project that they are working on that I feel personally is very important, but we do not have funding for that, maybe I can connect them with a funding source or another organization that can partner with them to achieve their goals. That is where I see my goal is right now. I do spend a lot of time in agriculture.

Councilmember Hooser: I appreciate that and I think that is actually a problem, not a solution. As the Director, I would think you would be working with the other 10 staff members and be the overall manager of the various...and keeping things going. I imagine agriculture takes a lot of your time. Is there anything we can do about changing the Administration's perspective on agriculture and getting a more dedicated/focus effort?

Mr. Costa: It would be adding another body.

Councilmember Hooser: Or reallocating a body that is doing something now. You have ten bodies.

Mr. Costa: We have ten. Nalani-Tourism, Ka'eo -Workforce, Ben-Energy and Sustainability, he took on Glenn Sato's role, so he is doing dual role. Then you have Art, who is doing sports marketing and then Randy, who is doing not only film, what we now refer to as Creative Industries, but also Small Business. Where I used to spend a lot of time with the various Chambers, Randy helps fill that role with Small Business.

Councilmember Hooser: So, those two positions: the film and...used to be one position, right?

Mr. Costa: No, we have actually added...instead of just the film commission, now we call it Creative Industries. Including in Creative Industries besides film is now fashion design that Randy is working with and then small businesses included. A lot of the small business organizations, working with Hawai'i on the Hill, promoting Kaua'i Small Business, working with Melissia on Kaua'i Made. Randy is helping to fulfill that role. We are actually added more responsibilities to those positions.

Councilmember Hooser: The prior position that was funded had a dedicated agriculture person, right?

Mr. Costa: Right.

Councilmember Hooser: What was the source of that funding?

Mr. Costa: That was part of the General Fund.

Councilmember Hooser: It was not a State or Federal funded position?

Mr. Costa: No. It was all part of the General Fund.

Councilmember Hooser: Okay. And then decision was made that we do not need someone.

Mr. Costa: Well, we were not going to add. Whatever staff was retiring or through attrition, we were not going to replace, we were just going to take on those responsibilities within our department.

Councilmember Hooser: So the staff has not increased since that position left?

Mr. Costa: No.

Councilmember Hooser: I thought there was some additional people added.

Mr. Costa: Well, there is Dan Fort, he is the only other person. He started as Agriculture Compliance Specialist and now he is Compliance Specialist and he is on the contact.

Councilmember Hooser: Okay. Thank you.

Councilmember Yukimura: If agriculture is second only to tourism in terms of importance, what are your main agriculture goals and objectives for the next year?

Mr. Costa: It is to, one, support the Kilauea Agriculture Community Center and then we also have working with KEDB on what started out, as I mentioned earlier in the presentation, what started out as a commercial kitchen business incubator, which is a CEDS project or is a CEDS project, the food production center. Also, working with the various organizations working with the Farm Bureau on any of their initiatives.

Councilmember Yukimura: For me, that is not very clear goals. When you say, "Support the Kilauea Community Ag Center or the Commercial Kitchen," those are projects and they are leading to some goal or some results that is going to show growth in the agriculture and the community is going to lead us toward...I presume increased Ag activity, Ag production, increase ag business in the economic centers. What are those goals?

Mr. Costa: One goal is a line item under the Kaua'i Economic Development Board is working with Susan Tai and her staff on Ag economic development plan and that is part of the initiatives that we are requesting for next year.

Councilmember Yukimura: Where is that in your narrative?

Mr. Costa: It is a line item on our budget.

Councilmember Yukimura: How much is that?

Committee Chair Kaneshiro: Page 94 – five thousand dollars.

Councilmember Yukimura: How is that going to get an Ag development plan?

Mr. Costa: We are actually contributing to the overall cost of that plan. Susan is also soliciting funds from other sources to initiate that.

Councilmember Yukimura: What is the overall cost of the plan?

Mr. Costa: Right now, she is looking at fifty thousand dollars.

Councilmember Yukimura: What is the timetable for the plan?

Mr. Costa: To have it completed by the end of this coming FY.

Councilmember Yukimura: By June...

Mr. Costa: 2017.

Councilmember Yukimura: What is the purpose of it and how is it going to promote Ag?

Mr. Costa: Well actually to do exactly what you have been asking is looking at the overall picture of agriculture, assets, and resources. Right now we have these various agriculture projects that we are working on that we deem important, but we need to look at the overall picture for economic development for Kaua'i and see what is viable. What can we truly work on with our limited resources and hope to promote and develop agriculture.

Councilmember Yukimura: That is part of the problem that you do not have a plan, so you just doing it...you are using limited resources on a lot of good sounding things, but we have no clear assurance that it is moving us in any specific direction toward any specific goals.

Mr. Costa: And that is what that plan is for.

Councilmember Yukimura: Why do we not put a lot of our agriculture money into that plan if you cannot really do anything until you get that plan done?

Mr. Costa: I am sure Susan would appreciate more money for that or more money from the County.

Councilmember Yukimura: Well, what about your office?

Mr. Costa: I beg your pardon?

Councilmember Yukimura: What about your office? Because you would have to show where in the budget you would take from in order to put more money into the Ag plan.

Mr. Costa: Absolutely. I am not too sure where that would come from, but we could look at it.

Councilmember Yukimura: You talked in your presentation about islandwide Ag parks, so what is the status of that program, which was started three budgets ago, I think. How are we doing toward that?

Mr. Costa: Well, with the Kīlauea Agricultural Community Center, this is County land that we have been delegated the responsibility to develop that. It was part of a condition. The other agricultural parks, again, our mission is to work with the community and so various landowners have come to OED and wanting to develop their own Ag park and that is why in speaking to Susan and some other agricultural industry stakeholders and saying, well instead of starting out, even though it is private owner land and they come with their own resources to develop an Ag park, let us take an inventory and see if it is necessary in certain areas. One of the visions of the Mayor is in each *moku* to have an agricultural park or a place for subsistence. Again, that would be all a part of that agricultural economic development plan. What is feasible? What can be done? When we look at the *moku ahupuaʻa* system, each community was self-sustaining. Those are some of the guiding principles that we use, but is it feasible at this point in time? We do not know and that is why we need to look at that.

Councilmember Yukimura: That is the problem. There has been a moving target where we had this island-wide Ag park idea and then nothing has been done for 3 years to really develop it and we have spent over five hundred thousand of State and County moneys on one center. I noticed that the name has changed from the Kīlauea Ag Park to the Kīlauea Ag Center. Does that indicate a change in the mission?

Mr. Costa: No, the mission is the same.

Councilmember Yukimura: What is the mission?

Mr. Costa: The mission is to develop the 75 acres in Kīlauea to create an agricultural park where produce, fruits, and vegetables are sold. Part of the regular plan...

Councilmember Yukimura: Sold?

Mr. Costa: Excuse me?

Councilmember Yukimura: Is it to be a commercial place where they are sold?

Mr. Costa: Well, to be grown and eventually the farmers take it to the market. One place of the plan is to move the Sunshine Market from the Neighborhood Center to that area.

Councilmember Yukimura: How is that increasing Ag production?

Mr. Costa: It will encourage...

Councilmember Yukimura: I am presuming that an Ag park's main purpose is to increase Ag production on the island. To me, that is the function of an Ag park.

Mr. Costa: Right.

Councilmember Yukimura: What is the plan for increasing Ag production at this Ag center, now, not called "park."

Mr. Costa: The long-term will be leasing large land. When you look at agricultural parks, a lot of them are 200 acres and larger. This is 75 acres. There will be about 50 acres worth of ten plots of five acres each – not a lot to develop. The rest would be the Sunshine Market area and what is now the community farm. We are still looking at parceling out smaller community gardens, but the concept now is to look at a community farm where you have membership coming in and farming an area of about 1 to 2 acres prior to leading up to the development of the rest of the agriculture park. So it is the first phase, seeing who is out there, having farmers come on incubator lots, show what they can do to produce.

Councilmember Yukimura: Are you going to do a community garden or an Ag park that generates farmers who are growing food on a commercial basis?

Mr. Costa: We are going to do both because that is what was in the original plan that was part of the community's input. This is really the Kīlauea community's initiative that they had wanted for 40 years.

Councilmember Yukimura: In every feasibility study, I know of, says you cannot do it that way to actually produce commercial farmers because 5 acre plots are not commercially sustainable. It is a very different mission to create a community garden and it would be really crazy if people have to drive to the community garden rather than walk. What is the plan?

Mr. Costa: You bring up a good point. Driving to the Community Agricultural Center. The goal right now is to engage the Kīlauea community many who live within walking distance of the park or biking distance. That is the goal right now is to get those community members involved. Some of them are farmers and some of them want to look into farming and so here is an opportunity to grow farmers.

Councilmember Yukimura: How much is the water system going to take to build? How much are we going to spend on that?

Mr. Costa: Right now, we are looking at about a half a million dollars compared to the four million price tag of three (3) four hundred (400) foot wells to bring water from the stone dam to the actual location. We have a source.

Councilmember Yukimura: Having a source that is about half a mile away from the farms. What is the plan for transmitting it from the property down to the Ag park?

Mr. Costa: That would require an easement agreement with the landowner.

Councilmember Yukimura: Do you have this in writing? Can we get that as a follow-up?

Mr. Costa: Okay.

Councilmember Yukimura: And there is an actual costing of the water system? Are you going to put an underground pipe or an open ditch? Is it going to be gravity flow?

Mr. Costa: Right now, it is underground, in a pipe, and gravity flow. We have cost estimates in what it would take to do that.

Councilmember Yukimura: And it is half a million dollars.

Mr. Costa: Yes.

Councilmember Yukimura: And your goal – how many farmers are you going to produce?

Mr. Costa: Could be up to 10 commercial-size farmers, but according to what you say, the five acres is not commercial, but it is what we have and that is what we need to utilize.

Councilmember Yukimura: Why would you not do three farms at a commercially sized farm?

Mr. Costa: We could. I am just saying that would be...the original plan called for 50 acres of farming and the rest were part of the Sunshine Market, the community gardens, the incubator lots, and so we were working with the original plan. We were working with that plan, but obviously, if that does not work, we are still flexible enough where we may come down to one or two commercial-size farms.

Councilmember Yukimura: But you are going to spend five years to create this garden like situation with 2 to 5 acre sites and then you are going to say, "Well, maybe it is not feasible," so you are going to do trial and error using hundreds of thousands of dollars of County and State money.

Committee Chair Kaneshiro: I think that is a good stopping point for now. I know we had some follow-up questions from earlier. I think maybe we will take general questions on the presentation and then we will go line by line on the projects. I know we have a lot more questions on this line item also, this Island-wide Ag Park System.

Council Chair Rapozo: I think I forgot my question already, but it had to do with the Ag position. I do not know how you can do it, George, with your schedule. I think as I look at the different areas, which are all important, but I think Ag...recently with some of the seed companies on the west side closing or reducing their size, freeing up a lot of Ag land...I think the County can take the opportunity to try to develop Ag using those available lands. I just do not see how you can do it. You are good, but you are spread thin already. I think the Kilauea Ag Park or Ag...

Mr. Costa: Center.

Council Chair Rapozo: Center...is a huge accomplishment. I think a lot of it is attributed to your work, but you spent a lot of time, in addition to all your other duties. What I want to do is what we did with Kilauea – how long did that take?

Mr. Costa: Forty years. 1976 when I started.

Council Chair Rapozo: So forty years, and what was accomplished in the last year and a half. If we could do that with different areas, but I do not think, you are physically capable because of time. You know the time it took. I share the concerns of Councilmember Hooser that Ag is a huge priority and maybe it is not for the Administration, but I think as we keep promoting Ag...and I do not necessarily agree that it is for increasing Ag production, but I think it is more important that we create this incubator opportunities for the farmers. Right now, there is no incentive. I do not know how a farmer can teach their kid to go into farming. Because number one, there is just no incentive. It is hard work, difficult to find land, but that Ag center out in Kilauea is a good opportunity for these farmers here that can pass on to their generations. I think there is a lot of opportunities today that I would like to see this County really take advantage of. I am not sure if we can do it. The Compliance Officer is eleven, so you have eleven people in your office, correct?

Mr. Costa: Ten. There is a clerk position there, but it is dollar funded.

Council Chair Rapozo: It is showing one hundred percent grant funded in the budget. So, you do not have anybody in the Clerk Typist position?

Mr. Costa: No.

Council Chair Rapozo: Okay. So, ten includes the Compliance Officer. What does that person do?

Mr. Costa: That is the Sunshine Market monitor. We used to do a grant to the Garden Island RC&D for thirty-two thousand dollars, since Terry Phillips our Sunshine Market monitor took another job, there has not been a monitor, therefore, Dan who is a Compliance Officer now fills that role.

Council Chair Rapozo: Was that a Vacancy Review Committee decision, the Ag...

Mr. Costa: It was a grant to Garden Island RC&D...

Council Chair Rapozo: No, no – the Ag Specialist. When the former specialist retired, that position came vacant, was that something the Vacancy Review Committee said they do not need to fill or was it an Administrative decision?

Mr. Costa: I am not too sure because it was both the Agricultural Specialist and the Sustainability Manager that retired. I fulfilled the agriculture specialist and Ben took over the sustainability position, along with his energy position.

Council Chair Rapozo: Okay. I will have more questions when we get through the line items.

Mr. Costa: Yes, it does take a lot of time, but like they say if you surround yourself with good people, so that is where I keep referring to our salary and time spent, where I spend time with the various agricultural organizations and we find champions like Yoshi L'Hote from the Kilauea Ag Cultural Center. I am not doing all of the

work. I meet with them and is filled in with what they are doing, but the actual work that is being done is done by these various organizations because it is a huge task.

Council Chair Rapozo: Are we looking out on the west side for available lands that are showing up? Do you have champions out there?

Mr. Costa: Actually, we do and there is some projects in the works. Really besides commercial farming, personally I am concerned that our farmers are at the age of retiring...sustainability, we need to feed ourselves. We need to have people in place. That is why my time, putting emphasis last summer on the summer internship program, you know here are youth that are interested in Ag and I am not going to let that opportunity slip by so we created a program to get them really interested in Ag. Now, I am working with the new FFA advisor at Kaua'i High School, have met with their students, and now they started rejuvenating their farm at the school. I did not realize that it was that big. Hopefully, this year's summer internship program will have 10-15 students interested.

Council Chair Rapozo: I guess I am looking at a more aggressive approach like the farmers need land and water, and the County has to at some point assist. That is what I am talking about. If we have that Ag person that is familiar that we can find these places...even if the County has to lease it, we cannot wait for developers to build these huge projects so that they can give us 75 acres.

Mr. Costa: Right.

Council Chair Rapozo: That is not the way to do it. If we have an opportunity to secure some land and offer that to farmers and somehow assist with water, the fact that we lower the property tax for the area that is being farmed is not sufficient because the cost of Ag land is so expensive.

Mr. Costa: You are right.

Council Chair Rapozo: I am thinking out loud here. I would like to see us play a more active role in assisting with the funds.

Councilmember Hooser: I do not mean to beat a dead horse. I would like to bring the horse to life. I truly appreciate the work that you are doing and I think what is going on in Kilauea is great, it has taken far too long, and I am glad to see the community being embraced and the County putting resources into it. Like the Chair said, I would like to see it happen in Kekaha and I do not want to wait a year for it. I want to see it today. I want to see farmers and there are people out there that I have talked to on a regular basis who are looking, they want to get in to farming. Some are already farming and some just need help. They need business play assistance and they need what everybody needs. You have a lot of other responsibilities and I would argue that supporting agriculture full time is more important than Sports Marketing or Sister Cities, or even Film. It should be right up there at the top of our agenda. We are out there every day talking to the Department of Agriculture and working and investing money. Quite frankly, I am not comfortable leaving the planning of our agricultural future to the Kaua'i Economic Development Board. I think it should be a community-based process. The County should take the lead on that to ensure that whatever comes out of that plan, is a plan the community supports and puts food growing ahead of just taking care of the land in terms of finding somebody to lease the large tracts. I do not know what we have to do with this budget. I am not comfortable; I have been doing this a lot, to just give money to something if the Administration does not share the enthusiasm. I am not

talking about yourself, I am talking about the Administration. If the Administration shares the enthusiasm and feels that we should put Ag as number one, we need to put our resources and money where our mouth is. I think we can find that money, between your existing budget and possibly with some new funds, but I need to hear that from the Administration before I start advocating for new income or cutting someplace else to put more money there. Are you able to think about it and talk to your people and the Administration?

Mr. Costa: I can talk to the Administration. I have conversations with the Mayor and Nadine all the time and the support for agriculture is there. Our budget is very thin. It would be difficult to look at it, but that could be another conversation.

Committee Chair Kaneshiro: We are supporting Ag, but the question that comes to my mind is do we have the population or do we have the market here to support it also? People can grow whatever they want, but if they do not have somebody buying it, what are we going to do? We need to be careful. Maybe we need to understand the market too and put some efforts towards the market. Do we have a market for these products? Yoshi's market comes up, but are they going to have people that will actually buy the products? Are they going to buy them at a price that is okay for the farmer? Our inputs here are higher or are people just going to go to Costco and pick up their products? That is the big question I have. Do we have a market for all of this farming? That is something we need to be aware of...because we can set up farms for everybody and have people farm and if they are not able to sell the product and pay back their costs, then we are kind of dumping money into something that is not going anywhere. That is just my comment.

Councilmember Yukimura: So there is a real clear consensus around this table that we are talking about food production and land and water...I mean you can train all these interns, but if they do not have land and water at an affordable price, they are going to go into some other career. Budget Chair has bought up that you need markets, but I have seen the markets actually growing in terms of the Sunshine Market volumes. I bought Kaua'i Grown pork last night, it was wonderful, at Times supermarket. People are looking for Kaua'i Grown thing. The tourist want to eat Kaua'i Grown things. The market is there if you can create...Dillon Strong who is on 30 acres at Moloa'a, he quit the Sunshine Market because he has this ready market in Kaua'i Juice Company. They are taking beets, and greens, and all kinds of things to make a local product and the business person made a decision to make her juices from local products. You know you have all these different small business decision making that is feeding into this larger growth, but we need land and water. That is why we started the island-wide Ag park program. You cannot farm economically on 5 acres. You just cannot. Your fixed costs and everything for the small amount. If we are going to create Ag parks, they have to be of parcel sizes and are economically feasible and promote...are created for success. Where is the plan to do that? Where are the actions to do that? You said, we have a very thin budget. We cannot just spend money here and there on a good idea. We have to be self-strategic. Where is it? And when you come to ask us for money, we want you to say, "We have studied this and these are the plans. If you give us the money, we will have five trained farmers on 30 acres in two years."

Councilmember Hooser: I know we have to move on, but I would like to say that I hope we all agree that the mood is...we should strike while the iron is hot. There is this movement across the State (inaudible), contrary while I support of what my colleague to my left has said, I know people having profitable business on quarter acres and five acres, making money on organic and specialty markets on very small lots. They are making money and it is very profitable. I do not believe we owe farmers or people a guaranteed living, but

we owe them the opportunity to fail, if you would, so if we provide land, provide the resources, and let them do it. Some of that is just feeding yourselves and that is okay. That is good. We do not have to have a thriving export market. We import 90% of our food. State agriculture, the Agribusiness Development Corporation (ACD) has ten thousand acres of State agricultural land. Half of that is not being utilized right now. We should be aggressively talking to them to partner and working with the community. There is 90% of our imports are foods that are imported and there is no reason why we cannot move forward with this. I will leave it at that. I know we have to move on.

Committee Chair Kaneshiro: We are actually going to move on. Councilmember Kualii has been waiting very patiently to ask his question.

Councilmember Kualii: I have several questions on the presentation, but I want to chime in on this as well and want to say that clearly we need to see it more fleshed out and tied to a strategic plan and showing the dollars and how the investment of the dollars is producing the change that we want to see. Whether it has to do with land use, community partnerships, and that we are actually perhaps using County or State land to leverage and maximize what we can produce and help farmers produce. There are so many ways to do it and I believe we can do it on small scale also. I would just say that in Anahola, some of our agricultural homesteaders are looking to bring the greenhouses that the homesteaders in Waimea have. You probably heard of wild tomatoes and the success that they are having. Let us replicate success. There are many successful models there already. Getting the biggest bang for how much money we do put behind it. For example, on slide 8, one of the bullets says, "Irrigation ditch maintenance EKWUC match," and I think you made the comment support for farmers and ranchers with grading and grubbing. Where is that in the budget? What amount are we putting towards that and where do I see it in the budget?

Mr. Costa: There are two line items. The first one would be for the...it states here.

Committee Chair Kaneshiro: Page 94, ditch irrigation East Kaua'i Water \$15,000.

Mr. Costa: Yes. That is East Kaua'i Water users co-op. You have that co-op that basically through State and County funding help to maintain the old sugar plantation system in East Kaua'i.

Councilmember Kualii: So that \$15,000 support is for grading and grubbing.

Mr. Costa: No, the grading and grubbing is a separate line item and the East Kaua'i Water Users Co-op not to be confused with East and West Soil and Water Conservation District; it is two separate organizations. The East and West Soil and Water Conservation District helps for grubbing and grading permits, they do soil conservation, and advice. It is two separate line items.

Councilmember Kualii: Where is the line item for that one that you are talking about?

Committee Chair Kaneshiro: Right below – Grading permit for six thousand dollars.

Councilmember Kualii: Okay. So, fifteen thousand and twenty thousand.

Mr. Costa: Yes.

Committee Chair Kaneshiro: Oh, it is six thousand.

Mr. Costa: I am sorry, no, not twenty thousand.
Councilmember Kualii: Six thousand. Okay.

Councilmember Yukimura: On the ditch irrigation East Kaua'i Water, this is to be put together with a grant from the State?

Mr. Costa: Yes.

Councilmember Yukimura: We could use on the next budget time a brief description of every project that will just give us the background and tells us how the project ties into the goals and objectives of your Economic Development Office.

Mr. Costa: Okay.

Councilmember Yukimura: And the CEDS.

Committee Chair Kaneshiro: That is a good question because I actually had it written down.

Councilmember Kualii: Yes, me too.

Committee Chair Kaneshiro: I had that for a question later because you are going to get a question on almost every single budget line item and they are all going to ask the same questions: What is this for? How is the money benefiting this project? Why are we doing it? Even with the legacy projects, there still might be valid reasons for continuing the legacy projects, but if you put that together then I think it will eliminate a lot of the questions that we have. I am sorry for interrupting.

Councilmember Yukimura: No problem. The East Kaua'i Water System, we would love to have a description of the system and the kind of Ag that it supports. You actually do not have to convince me about the importance of keeping our irrigations viable, because if they deteriorate beyond repair, they are irreplaceable in many cases. Nonetheless, we have irrigation systems all over this island, I do not know if we are going to be able to keep all them in repair. Whichever ones we choose to repair, we have to know why we are choosing them over other systems on the island and how that is tied to...again, what is the strategic purpose of doing this. Is this money just used for repair?

Mr. Costa: Maintenance, yes. We control walking the ditches and cleaning them out...just like how the plantations used to do.

Councilmember Yukimura: How much does it cost each year?

Mr. Costa: I believe it costs them about one hundred thousand dollars overall, because they get State funding and County funding, I believe they have donations.

Councilmember Yukimura: It is one hundred thousand dollars a year?

Mr. Costa: I believe so. I think that is the overall. We contribute a portion of it, the County does.

Councilmember Yukimura: I would like as a follow-up a description of this project, how long the ditch system is, and what kind of Ag it is supporting. What are the plans to promote Ag along this ditch system that is going to expand the use of the ditch system?

Committee Chair Kaneshiro: Along those lines – how many farmers is this ditch serving? If this money is not going to repairing it, then all these farmers would not be able to get water to farm?

Councilmember Kualii: The only other obvious thing to help us see the bigger picture is clearly for many of these it comes back year after year, so show us the bigger picture of what you have already invested over the last year or three years, or however long it has been going, and what you are planning to do now in this budget. How there are multiple years yet to follow to kind of get to where we are trying to get to.

Mr. Costa: Okay. I agree. I think more information is better. From the 7 years I have been here, we had an 86 page budget presentation and we were told that it was too long and we have condensed it, but then I can see when we condense it, we do not have enough.

Councilmember Kualii: Probably just the most important thing is put the dollars there, so we can connect it, especially if it is something new. For example, you say initiate County-wide climate action plan and partnership and you mentioned Ben would be introducing a larger item this year, but that is one item.

Mr. Costa: Right, and I will have Ben talk more about that line item.

Committee Chair Kaneshiro: If you are going to start putting a description of the project, it does not have to be long. It just needs to be enough to let us understand what that project is for and what it is benefiting, then if we have more questions, we may ask on it, but just giving us that little bit...

Councilmember Kualii: Two sentences.

Committee Chair Kaneshiro: ...will help us understand if it is reasonable for that. It is doing this to help these people. We will continue to move on, but right now, we keep asking the same question on all of the projects.

Mr. Costa: The East Kaua'i Water Users Co-op, in their grant, actually has a really good report. It is six pages long, but it gives maps, shows the irrigation system, it talks about everything that you are asking, so if we could do that...six pages for them and all these other grants that we do...

Committee Chair Kaneshiro: Again, for me, it would not take six pages. It would just be, "This is to perpetuate these irrigation ditches that are five miles long. It continues to serve x number of farmers and if we did not help to put it in, the State puts in this much, and if we do not perpetuate this, then this system is gone." I think that would answer a lot of the questions that everyone would have.

Mr. Costa: Okay.

Councilmember Yukimura: I would like to know what kind of farming. Is it all pasture or if it is food growing.

Committee Chair Kaneshiro: And then you may get additional questions. A question like that may change every year. A farmer may be doing pasture, but decide to put in bananas one year and then decides to do something else.

Councilmember Yukimura: But I am hoping that when we pour one hundred thousand dollars a year in to it, it is part of a larger plan to grow more food. I want to know what future we are looking at too.

Councilmember Kualii: On the bottom page regarding Melissia Sugai with Kaua'i Made, "Attended Maui Ag and Made in Maui Festival," and you said, "looking to create our own festival in the next year." On page 94, where it says Kaua'i Made and Kaua'i Grown tradeshow for five thousand dollars, is that money budgeted for that purpose or is that something else?

Mr. Costa: No, just for clarification, five thousand dollars would be coming for Kaua'i Grown and five thousand dollars for Kaua'i Made to put that program together.

Councilmember Kualii: But there is only five thousand there. But you are saying ten thousand dollars towards creating the first of its kind Made in Kaua'i festival.

Mr. Costa: Yes, it is contributing five thousand.

Councilmember Yukimura: Where is that?

Committee Chair Kaneshiro: Let me get this clear, Kaua'i Made is contributing five thousand, Kaua'i Grown is contributing five thousand, and we are contributing five thousand?

Mr. Costa: No, no. Ten thousand total. Those two programs are...

Councilmember Kualii: So, five of the fourteen thousand is for that purpose, right above Kaua'i Made, support services, because the line item is five thousand dollars. At the top of page 94.

Councilmember Yukimura: Oh, I see.

Councilmember Kualii: Agriculture, I see it, there is the other five thousand on page 93, the third one. Okay. Thank you.

Councilmember Chock: I am looking at the budget presentation that you sent over on page 14. It talks about the film industry, "total amount permits," and I this is combined County and State film permits were three million dollars. Then you talk about how much money we generate. I wanted to know how much money we generated on the County level, 1) in permits, and then if this is the multiplier effect that you have here, if that is what

I should be looking at. It says one point three times one point seven five and so forth. Can you clarify that?

Councilmember Yukimura: Can we put what Councilmember Chock is talking about?

Committee Chair Kaneshiro: This is from their presentation that they sent over.

Councilmember Yukimura: Page 14 – so the public can see.

Mr. Costa: For one, there is no charge for County film permits; however, when we have production companies, and the majority of the production companies that come to Kaua'i, unless we have a blockbuster here like we did in 2010, when we had four major productions: Pirates of the Caribbean, The Descendants, Just Go With It, and Soul Surfer. Normally it is commercials, small film producers, which I do not have the total in front of me, but we have about two hundred jobs that are created, now again, it is project specific when the film crew is here. The budget that they present to us, equates to about one point five through two million dollars average each year. Again, it is mainly from those small production companies. The larger film crews that come here that spend 30 to 60 days here, it can be anywhere from ten to fifteen million that they present, but those are few and far between. We work with the smaller commercials and catalogs and those type of people that come here. Once in a while we will have a music video, but mainly it is the production people from those catalogs.

Councilmember Chock: The cumulative amount equals one point three, in terms of expenditures by all of these productions, is that correct?

Mr. Costa: Right.

Councilmember Chock: Okay, and then what you are saying is that the multiplier effect with other industries...

Mr. Costa: Right, because they stay in hotels, rent cars, and need equipment.

Councilmember Chock: And we do not charge anything for any permits.

Mr. Costa: Not for the use when they film on County facilities, mainly at the County parks or beaches, where they do their filming. A lot of the productions when they come here, they will do a few shots at the County beaches and parks, but primarily they are either on private or State land that they do the bulk of their filming.

Councilmember Chock: What does the State charge?

Mr. Costa: The State charges one hundred dollars per permit. Again, there is no percentage of the gate receipts if it is a large motion picture production.

Councilmember Chock: So, what you are saying is that they are pulling multiple permits, State permits, because three million dollars is a lot of money and that is all going to the State. The total projects, forty-nine, the forty-nine on Kaua'i or is that the total amount Statewide?

Mr. Costa: Which one are you referring to?

Council Chair Rapozo: Page 14.
Committee Chair Kaneshiro: We are on the 2017 budget presentation that was sent ahead of time.

Council Chair Rapozo: Must be the State.

Councilmember Chock: Must be the State, right.

Committee Chair Kaneshiro: Page 14.

Mr. Costa: Okay. This is Kaua'i.

Councilmember Chock: Forty-nine on Kaua'i.

Mr. Costa: Right.

Councilmember Chock: Okay. How is it that the State is generating three million out of forty-nine...I am sorry...

Mr. Costa: This is County, locally.

Councilmember Chock: I am just trying to correlate how many Statewide in order to get the three million again.

Council Chair Rapozo: Maybe, if they can go down this page from the top because I do not understand.

Committee Chair Kaneshiro: I am confused too. Can you go through it and say what is this three point one million, is it for the County and the State combined or just County. How do we get the County multiplier – one point three million and kind of just run us through this.

RANDY FRANCISCO: *Aloha.* At the top of page 14, for the entire year of 2015, I took a look at what were the total State and County permit values in terms of productions and that was the total that combines both. Out of that, one million three hundred seventy-eight thousand five hundred dollars, is the County activity. The balance is the State permit use of the land and facilities, of that three point one hundred seven thousand four twenty-nine.

Committee Chair Kaneshiro: That is for our County?

Mr. Francisco: For the County of Kaua'i, yes. The data I provided that I started to collect and harvest is only reflecting the County of Kaua'i in which the State uses County facilities...excuse me, the State uses private facilities and State related facilities. The difficulty I had was trying to ensure that I was getting as many of the film permits that were approved and the challenges were not all private sector facilities had their data or permits because that is private use. What I was trying to demonstrate is, you have a significant amount of film related activity at least at the State and County level. That is what I am beginning to accumulate as data.

Committee Chair Kaneshiro: Before we move on, I think we still have some questions.

Council Chair Rapozo: I am still trying to figure out the three point one million, the combined County and State approve film permits, George said earlier that the County does not charge for any permits. What does that three point one million?

Mr. Francisco: When someone fills out a film permit application form, they indicate for example on a recent project, that their budget is going to be twenty thousand dollars, so that is what I record into our data stream. That follows the similar model that the State has. So they are saying on Kaua'i project x is going to spend twenty thousand dollars for a period of several days.

Council Chair Rapozo: Oh okay, it is not the value of the permit itself.

Mr. Francisco: No, it is the total project activity.

Council Chair Rapozo: So we are saying in 2015 between the State and the County, the film industry spent three point one million?

Mr. Francisco: Their economic contribution was three million plus.

Councilmember Yukimura: On Kaua'i?

Mr. Francisco: On Kaua'i only.

Council Chair Rapozo: But this is the combined. It looks like Kaua'i may have been one point three.

Mr. Francisco: Yes, one point three, seven, eight.

Council Chair Rapozo: And then the State was...

Mr. Francisco: The balance of one point seven.

Mr. Costa: When we say, "State," meaning State land or facilities here on Kaua'i.

Council Chair Rapozo: Oh.

Mr. Costa: Yes, not the State in overall.

Council Chair Rapozo: Oh, this is all on...

Mr. Francisco: I thought it is critical that we begin to collect the Kaua'i project activity. As I mentioned, this does not include private sector use of lands and that is something I am hoping to begin to at least get an idea of what productions are. I have a separate list of studies to accumulate as we get inquiries from our film website.

Council Chair Rapozo: The total would be one point seven. I am sorry – three point one.

Mr. Francisco: Yes.

Mr. Costa: Total on Kaua'i.

Council Chair Rapozo: The State economic multiplier of the combined three point...

Mr. Francisco: Yes, is thirty thousand. So that economic multiplier is what the State film office uses.

Council Chair Rapozo: And that is hotels, cars, food, and all of that.

Mr. Francisco: Yes.

Council Chair Rapozo: Okay, thank you.

Committee Chair Kaneshiro: Out of the three point one million that was spent on movies on Kaua'i, our multiplier effect was an additional fifty-four thousand dollars to the County.

Mr. Francisco: Yes, overall.

Committee Chair Kaneshiro: We are using that multiplier.

Councilmember Yukimura: This figure of three point one is of film activity where they had to file for permits for use of County property.

Mr. Francisco: And State.

Councilmember Yukimura: And State, okay...of public property.

Mr. Francisco: Yes.

Councilmember Yukimura: And that three point one represents the direct expenditures of these companies at least as estimated at the time they began their project and were applying for permits.

Mr. Francisco: Yes, exactly. They would put the estimated budget on the film permit application form.

Councilmember Yukimura: And you are using the State economic multiplier to figure out how much in indirect economic activity their direct expenditures generated.

Mr. Francisco: Yes, I thought it was pretty conservative, but a rather be conservative than over adjusting.

Councilmember Yukimura: And you are using the County multiplier which is the same one point seven five percent to determine...

Mr. Francisco: The economic...

Councilmember Yukimura: I mean does the State multiplier take into account the County multiplier.

Mr. Francisco: Yes, what I did was I just separated it and I wanted to show what it would be at the County and State. One comment I did want to make, I have been here for a year doing this position. I have concluded that we get a few, not a whole lot, of County facility use requests. The majority are State and private use of lands. With the blockbusters, many were using private sector, and so in my initial phase of reviewing where we are on the website and so on, that is where I decided that from a marketing standpoint, we really need to strengthen that website because it is our business card. Ninety-nine percent of inquiries come through our film website, so our efforts have been there and I think they pretty much proven productive because the follow-up for me, especially during this first quarter, I think we are at 27 or 28 projects for the first quarter January through March 2016. So far only 4 are County. The rest is private sector and State. So far at this point, it is almost eight hundred thousand. That does not include pending projects coming up over the next three to four months for the second quarter.

Councilmember Yukimura: I am still back on the multiplier and I mean would you not just use one multiplier once?

Mr. Francisco: What I did was to try to take the whole thing and break it down so that we can see for the County versus the State, what is the multiplier benefit in dollars.

Councilmember Yukimura: Okay, thank you.

Committee Chair Kaneshiro: If a film comes down and they film all on private land, do they need a film permit?

Mr. Francisco: No. That is an effort I decided to work on, simply because we could have, let us say, a Jurassic Park movie on private sector land, spending two or three million, but we would not have any formal record of it. What I decided to do is try to build on these – relationships with the landowners and others to say, “We welcome the fact that you are providing your location as a place for film production, but it would be even more compelling and more helpful for us to be able to know that this is how much the economic contribution is anticipated to be.” In the past, we have not had that kind of data. That is what I am starting to collect. I tried to get, for example, from the State Film Office, information about how much was spent on some of the blockbuster movies and they said, “Well, we do not have it because they did not require a permit from the State.” That is something I am trying to do a better job at and so far the State Film Office has been very receptive and my outreach this year is to work closely with private landowners and other and get the message out – we work together so how about sharing some data that will put into a total dollar amount without having to (inaudible) breakdown that private sector amount.

Committee Chair Kaneshiro: And the State, do they charge a permit fee if a film comes in and films on their property?

Mr. Francisco: Well, it depends. If it is certain types of uses like the Department of Land and Natural Resources, they have a fee. If it is not that department, it is waived.

Committee Chair Kaneshiro: Do we charge if they film on County property?

Mr. Francisco: No.
Committee Chair Kaneshiro: Do any other Counties charge...say any film company comes to Kaua'i, we say, "You film on Kaua'i and your production is over two million dollars," not counting a college student comes and tries to film something or a small quick advertisement. Do other Counties say if you are coming to film, your value of your production is over this, you need to come to the County and fill out for a permit whether it is private or public land. Do they charge fees?

Mr. Francisco: No. The survey that I sent out to about six individuals in the industry just to ask them a few questions about if the County were to assess a fee, what kind of fee structure and what amount? Basically, nine out of the ten cases were against it. I also took a look at if we were to assess a fee for the permits issued during a certain FY, it came out to a total of about nine thousand dollars. My whole real message was we want to support the fact that they are not only thinking about Kaua'i, but deciding to do the production on Kaua'i. How does nine thousand dollars in the whole picture measure up to a production that might bring in fifty thousand? This summer, for example, I am working on a project that will bring in one hundred seventy-five people and production crew over the course of 7 or 8 weeks and trying to make it welcoming and compelling and that they are going to shoot at a great place with the fact that I am here for them to support their success. I am more about sending the correct message.

Committee Chair Kaneshiro: Any follow-up questions on this sheet?

Councilmember Kualii: You primarily want information from the private landowners?

Mr. Francisco: Yes, and so one of the goals this year that I discussed with George was, after we held our first meet and greet to establish a film advisory committee and they would be the group that I would work with and partnership to work with other groups that they are connect with to see if they can facilitate easier access to information and let them know that we are trying to advocate for them as a small business. I think we need to demonstrate the data request is going to be confidential, but it is part of the bigger picture to say that the Kaua'i industry related to film and its activities is x dollars and I would like to say that it is in the millions. That is where I starting this data collection from this past year as a baseline.

Councilmember Kualii: Do you even have any data on what the film companies pay to use the land to film?

Mr. Francisco: That is what I am hopeful to start collecting.

Councilmember Kualii: I am sure it varies.

Mr. Francisco: I was just going to say that it is a range. For some it is an opportunity to promote their business and they get those other benefits without having to assess a fee and so I am trying to work with this group and ask what kind of criteria can we begin to look at so we have at least our range that we can put in as a dollar figure because I would like to collect that data.

Councilmember Kualii: Thank you.

Councilmember Chock: Are they using County services? I know they do not pay for a place, but...

Mr. Francisco: County services?

Councilmember Chock: I know that they use our roads, but what about police, fire, or other County services that they use?

Mr. Francisco: So let us go back to page 14 data and as you can see at the top is television shows and series at 14 of those documentaries and what I want to say is that the bulk of these projects, outside of the movies and stuff, are like 2 or 7 people. So, it is not like they need a whole lot, but there are cases where they might say, "Well, given the weather, I am not sure that it is something that you should not forget about, not only the safety, but would you consider getting your own lifeguards or something," because I do not want to see them over-tax the existing lifeguards at whatever beach. A lot of the beach usage, I found out, is really getting into the water, which becomes the State jurisdiction. Not a whole lot, but I definitely know that like a recent production at Wailua, every day at the end of the day the best part for the crew was to be able to go to the hotel and restaurant and mingle with the local people, have a few drinks, and go shopping. I think that is the other part that is the benefit.

Committee Chair Kaneshiro: Any further questions? If not, I want to start hitting the actual budget and line items and as we go through that, we can get a little more description on the grant or project. Let us break this up and if we have any questions on regular salaries. You have a lot of questions? Let us take it now because it is the time for it.

Councilmember Kualii: The majority of your positions are all showing up as appointed positions.

Mr. Costa: Right.

Councilmember Kualii: I am probably going to submit some of this in writing, but just to point out a few, the position 48 Economic Development Specialist III. I noticed that you seem to be over budgeted based on these projections on the raises that have happened and expected to happen going forward. There is a jump in January 1, 2017 of seven point six percent, which is out of line with the rest of the positions, which are three point five, I guess. Do you want to work with Human Resources and follow-up or do you have an answer to that now?

Mr. Costa: When you say out of line...

Councilmember Kualii: I saw that in general Human Resources provided information how the positions are following the bargaining unit raises.

Mr. Costa: Right.

Councilmember Kualii: And so in January 1 of this year, there was basically, a three point five percent raise from all of the positions and then on July 1 of this year...so with the new budget, most of the positions not, but number 58 Program Administrative Office I, has an increase, but just that position. I am wondering why. These net in effect is proposed increases and so I would like to see the justification, if you will, especially when it stands out from the rest. For the rest, you are saying you are just following

the bargaining unit raises, but...and that is the case for most of the positions, but when there is these individual positions that stand out to me, then I would like to follow-up and have some justification of what the decision was to do that. There are three positions. Another position is number 60, Administrative Specialist II.

Mr. Costa: I can discuss this with Human Resources. Basically a memorandum came at the start of the budget season, so based on the union budget, this is the memorandum I got and these are the salaries that came with that.

Councilmember Kualii: The one more I see here is in E-98, Economic Development Specialist IV. I think because the information I get from the spreadsheet with Human Resources and how the raises are incorporated. The budgeted amount of seventy-nine thousand nine hundred ninety-eight might be an error. I think the correct amount is seventy-three thousand nine hundred twenty. Economic Development Specialist IV, position number 98. I looked at the spreadsheet and how it all flows and the seventy-nine, nine, ninety-eighty is a six to seven thousand dollar mistake. It should be seventy-three, nine, twenty. Can you follow-up on that too?

Mr. Costa: Okay.

Councilmember Kualii: I will leave it at that for now.

Committee Chair Kaneshiro: Further questions for wages or salaries? I have a question on the 89-day contract hire. What is that for?

Mr. Costa: That is for the Compliance Specialist that right now is doing the Sunshine Market monitor.

Councilmember Kualii: On that position that Chair asked about earlier about the Clerk Typist. You said it was one hundred percent grant funded or partially grant funded.

Mr. Costa: That position, when the money presents itself, works with both Nalani and HTA funding.

Councilmember Kualii: It is vacant now because you are unsure of funding. What are the plans for recruiting, filling, and budgeting?

NALANI BRUN, Specialist IV – Tourism: We are actually using that position number for the Compliance Specialist, but back in the day we used...we had extra HTA funds and so that person would help administer all of the grants.

Councilmember Yukimura: I am confused.

Committee Chair Kaneshiro: I had it written down that one hundred percent of the grant funded money was going to a Compliance Officer, but now we have fifty-two thousand dollars in 89-day contract hire for Compliance Specialist. Is the intent not to use the grant fund anymore for the Compliance Officer or did I write my notes wrong?

Ms. Brun: It used to be one hundred percent grant funded when it was a Clerk Typist. It was HTA funded, but we are not doing that anymore, it is in the past.

Councilmember Yukimura: But you are saying you are going to use the temporary Clerk Typist position for the...

Ms. Brun: We use the position number to get an 89-day hire.

Councilmember Yukimura: Okay, so the 89-day hire is in the wages and hourly pay category rather than...and Clerk Typist is back-up although it is not dollar funded so arguably it does not exist.

Ms. Brun: Yes.

Councilmember Yukimura: Okay, so you do not mind if we just zero the Clerk Typist position?

Ms. Brun: That is fine.

Committee Chair Kaneshiro: It is at zero or there is no number for it.

Councilmember Yukimura: Yes, okay. And then the 89-day contract, what is the number for it? Do you give numbers for the 89-day contract positions?

Ms. Brun: We use that number, but I do not have the actual number, but I can get back to you.

Councilmember Yukimura: During the 89 days, it is a fulltime position.

Ms. Brun: Yes.

Councilmember Yukimura: What do they do?

Ms. Brun: They have been covering Sunshine Markets, so we have been doing a lot of upgrades to the Sunshine Markets. Between this position and our Administrative Specialist, they have pretty much cleaned out our Sunshine Market files, inspected every single form that is out there, any applicant that is applying has to have their form inspected, they collect a lot of information from GE tax license to their insurance cards. Insurance on their cars because their cars are going to be on our property. It is very work intensive – the work that he does, as well as our administration person. Besides that, because he just comes to us with talent, he also is helping us administer grants specifically the security grant program, which has the 14 grants. We are the in-between between the Police Department and community groups that are in need of police. He helps us fill that gap because that is just another 14 grants that would have been unloaded on one of us. He has talent as well.

Councilmember Yukimura: So the fifty-two thousand is for half a year or a full year?

Ms. Brun: The full year.

Councilmember Yukimura: And you say he works with the Administrative Officer?

Ms. Brun: He works with the entire office, but he works with our...

Mr. Costa: Administration Specialist.

Ms. Brun: Yes. The two of them pull the Sunshine Market programs.

Councilmember Yukimura: Do you have goals for the Sunshine Markets?

Mr. Costa: Yes, to fill every space with farmers, but the farmers that are actually growing produce. Depending on the location of the market and how many stalls are available, farmers that are interested, hopefully we provide them with a venue and we also have a few stalls for value-added producers.

Councilmember Yukimura: Is the production level or the sales level continuing to go up, staying flat, or going down, and are you satisfied with the circulation and parking issues in like the Kapa'a market or do you have actual ideas for upgrading? Any thought of eventually weaning off the markets into a nonprofit?

Ms. Brun: The team has a lot of great ideas. They moved the Kōloa market from the lot to the front lot and that just increased their sales by a ton because you have the drive-thru. They are very concerned about the Kapa'a market. Luckily, the Compliance Specialist is a former police officer, he knows the run of things with traffic and so he is able to help us in that way. They are constantly looking for new ways to better the market. Of course, the goal of the market is not to keep them in the Sunshine Markets forever, it is to get them up and actually producing for the grocery stores as well as our community.

Councilmember Yukimura: I do not know...is that really the goal of the Sunshine Market?

Ms. Brun: One of our goals is to get them growing more produce than they are currently. To become a bigger business. There is one item in the budget, I know you want to go down the line, but one of them is an Ag study. We have been working with HATA, which is a twenty-five thousand dollar line item. Between Kaua'i and Hawai'i County, they are trying to find ways to get product to market, like our Sunshine Market products. They are looking at both islands and trying to see what best practices are to do that. They want to develop a system where the local farmers can provide local restaurants and produce outlets, like stores, with products grown locally. Out of George's group, the Kaua'i Agricultural Advisory Committee, gave recommendations to try to bridge that gap between producers and restaurants and how they can get more product. The more product that they sell, hopefully the better that they will do, and the move from Sunshine Market to a larger area where they are actually producing outside and doing business. We are hoping that the study, which is going to be looking at a lot of the different factors that have to do with Sunshine Markets, will help us determine what the next steps are to get this program to grow.

Councilmember Yukimura: Do you already have a consultant?

Ms. Brun: Yes, we actually have a proposal that we are looking at. HATA, which is Hawai'i Agritourism Association. They are also working with

Hawai'i island and the Department of Ag to come up with this plan for Hawai'i island and Kaua'i. We are just looking at their proposal now. It is in the budget, so we are going to see if we can try to move forward on the project.

Councilmember Yukimura: Is it tied in to the overall plan for agriculture?

Ms. Brun: Yes, it is very similar to what KEDB wants to do with their Ag study. It was just something that jumped up before and so we got a run on it, we are working with KEDB, they are aware of it.

Councilmember Yukimura: What is the coordination between this study and the Ag development plan?

Ms. Brun: This is one facet probably of what the plan would ask for.

Councilmember Yukimura: Is it being done by people who do not have a particular goal, which is, agritourism has a very different goal than agricultural production in general.

Ms. Brun: Yes. It is not focused on agritourism at all. They have actually done other studies. They have done several for the Department of Ag and other farmers on Hawai'i island and on Maui. They actually were part of that whole big burst of the Kula lavender farms, and so we are trying to use what they have learned to transfer that to what our farmers are trying to do right now.

Councilmember Yukimura: I hope that you are going to coordinate with the Ag develop plan because you do not want to duplicate the efforts and/or be uncoordinated.

Committee Chair Kaneshiro: I see the same questions coming over again, and I am going to try to reel it in and say when we get to the actual projects, say agriculture, if you can just give us an overall goal and how this...because I had a question on that plan that Councilmember Yukimura was talking about. Can you just basically say, "This is the overall goal for agriculture and these grants. These are the projects that are helping us towards the goal," and then if we have any questions on that, then we can go over them because I see this recurring and it is a question that probably going to recur in everything: Tourism, KEDB, and everything else. Maybe that way we will not move all over the place and we can try to zero in. I appreciate the questions because I have the same questions, but I rather us deal with it all at one time than we will deal with it now and when we get to it, we will probably ask the same questions again.

Councilmember Yukimura: I defer to your leadership.

Committee Chair Kaneshiro: I guess we are on the 89-day contract hire. Any further questions for that?

Council Chair Rapozo: Do you folks do your own clerking and typing?

Ms. Brun: Yes.

Mr. Costa: Pretty much.

Ms. Brun: We have two specialists.

Mr. Costa: We have our Administrative Specialist, which does correspondence, but she also does payroll and maintains the office and then we have Melissia Sugai who is our Economic Development Specialist. Besides the Kaua'i Made and maintaining our website; the film website, festivals website, and Kaua'i Made. Melissia is also responsible for helping each of the five specialists because they work on their own. They do not have administrative assistants.

Council Chair Rapozo: I know earlier you said that we can take away the Clerk Typist position, but you would lose that number, so you would not be able to have a contract hire.

Ms. Brun: I am not familiar with...

Council Chair Rapozo: You need a number to...

Councilmember Kualii: You need a dollar in there as well.

Council Chair Rapozo: I am not sure how they made that happen because it is a grant funded position, it is not even a General Fund position. I am sure that HR can do all kinds of things that we do not know, but it is what it is. Thank you. So, you do not want to remove that position?

Ms. Brun: No.

Committee Chair Kaneshiro: Okay, do we have any questions on the basic vacation, telephone, other services?

Council Chair Rapozo: I do on the telephone. Only because it is the first year funding, is it a cell phone?

Committee Chair Kaneshiro: It is twenty-five hundred dollars.

Ms. Brun: Is this just an assessment?

Mr. Costa: I thought we took that out. That was part of the Compliance Specialist who would be out in the field, but that was for another role.

Committee Chair Kaneshiro: So, it would be deleted in the supplemental budget?

Ms. Brun: Yes, it will.

Committee Chair Kaneshiro: Okay. Got it. Now we are on other services and let us do it this way, other services and grant-in-aid, we are going to take together. We will go through it as agriculture. George, can you give us the general: what is the goal of our agriculture grants; how are we supporting it with these programs; and then hopefully we can get through these lines items, but we have a lot to go through.

Mr. Costa: To sum it up for agriculture, we want to support as many agriculture entities as possible. As I mentioned, quite a few of these are our legacy

grants that we have been funding for quite a while. We want to support the Tropical Flower Industry, the Cattlemen's Association, which has two projects. One is the Livestock holding pen, which was built a few years ago and so they constantly need maintenance funds and then the other one is supporting the two slaughter facilities for processing. That in itself helps to support the local cattle industry by keeping cattle – one project ships cattle off island and the other one keeps the cattle on the island to help us become more self-sustaining. Ditch irrigation, again, support East Kaua'i water users because they provide ditch irrigation for farmers, ranchers in the East Kaua'i area. Then we have the Island-wide Ag park specially the Kilauea Community Agricultural Center, which is a County project that started several years ago and making it come to reality. We have our own Kaua'i Grown program which works in partnership with the Kaua'i Made program and the Kaua'i Grown program was basically started five years ago to help promote farmers and ranchers, so it is more the marketing and connecting farmers and ranchers to retail, chefs, and hotels. Again, creating a market, creating a demand for farmers' products. Here are some other ones that, again, are State projects, but the County has been contributing to Invasive Species because it is our *kuleana* as well. I mentioned the Internship Program working in partnership with the Department of Labor and Education as a match to the Department of Labor Grant and helping to support that summer internship program. And then the EBT program, again, supporting farmers by having an EBT program in our Sunshine Markets where those that have EBT benefits or what used to be known as, "Food stamps," can eat healthy produce. That is it. Again, we support a range of agriculture initiatives.

Council Chair Rapozo: Let us start with the Island-wide Ag Park system, the ninety thousand, what is that?

Mr. Costa: The ninety thousand will be used to develop the Sunshine Market area of the Kilauea Community Agricultural Center. It is part of that first phase where grubbing and grading, putting gravel, and creating the parking area, planting grass for an open space where the farmers now at the Kilauea Neighborhood Center can move to a better location, more open, and safe. The goal is to...as we get farmers in the actual agricultural park section, they will be able to bring their produce to market right there at the facility. The ninety thousand dollars is basically going to be used for development of that area.

Council Chair Rapozo: And the six thousand grading is for that project as well?

Mr. Costa: No, the six thousand is...if this continues in future years, I am going to retitle that for East and West Kaua'i Soil and Water Conservation District. It is to support that organization that helps grubbing and grading overall, island-wide. It is not specific to Kilauea.

Councilmember Yukimura: On your Island-wide Ag Park System...I mean it should be retitled as the Kilauea Ag Center project because I do not really see it creating an Ag park by doing a Sunshine Market. I know there were problems with the location of the market, did you do a survey of the best place in Kilauea for the Sunshine Market?

Mr. Costa: No, we did not, because when the Ag park was created, this was the community input when the plan was formulated.

Councilmember Yukimura: So now people are going to have to drive from the town to this Sunshine Market rather than park in Kilauea Town and walk to a Sunshine

Market and do their other things around Kilauea Town. It seems to me to violate Smart Growth principles where you want things within a five minute walking distance. Why are you moving it without knowing that that is the best location for the Sunshine Market?

Mr. Costa: For one, it is County land, but two, it was more important the community input, and then the safety factor. It is very crowded. You have our County bus driving...

Councilmember Yukimura: I already said I agree that the present location is not the right site, but given all the other plans that are coming up for the town, was there no analysis of where the best place would be for the town. No planning process that looked at all those things because what if there is a better site for the Sunshine Market.

Mr. Costa: There is another market at the mini golf area, they have their own Sunshine Market there.

Councilmember Yukimura: But that is still going to require people to get in their car to drive to and cross the street from the main town. I am not sure that is...crossing that main highway is a major obstacle.

Committee Chair Kaneshiro: Councilmember Yukimura, we understand the concern and we talked about this earlier, so just heed the concern because if not we are just going to go around in circles and I want to move on.

Council Chair Rapozo: For what it is worth, I think it is a great location.

Committee Chair Kaneshiro: Yes, but it does concern the budget because they said it was for Sunshine Market area. On the Island-wide Ag park, is any of that money going to look at the other locations around the island or is that money specifically just for Kilauea?

Mr. Costa: It is specifically to Kilauea. The other discussions and it came up a little while ago, I think Councilmember Kualii, we have had discussions with other entities such as Department of Hawaiian Homelands, Knudsen Trust, those have basically invited us to the table, because we are developing the Kilauea Community Ag Center, wanting some advice and some of the experiences that we are going through. They would like to develop their own. Our discussions have been with other private landowners or other entities. The County is not being asked to provide any funding.

Committee Chair Kaneshiro: I guess that goes back to Councilmember Yukimura's question on the line item being Island-wide Ag park system...

Mr. Costa: The title.

Committee Chair Kaneshiro: Yes.

Councilmember Kualii: It seems like we are doing the agricultural group now, but there are some agricultural items in other services and some in grant-in-aid. How are you differentiating between other services and grant-in-aid and I noticed that one point one million was moved out of other services and into grant-in-aid. What remained in other services and why? How are you distinguishing between the two groups?

Mr. Costa: It is still all in “other services,” whatever is in “grant,” is basically grants. Those grants are going out to different organizations and what is remaining is what we, in our department, will manage.

Councilmember Kualii: This ninety thousand that we are talking about, the Island-wide Ag Park system, that is a ninety thousand dollar grant that is going from OED to?

Mr. Costa: Aina Ho’okupu O Kilauea.

Councilmember Kualii: To do what?

Mr. Costa: The stewardship agreement. They are overseeing the project.

Councilmember Yukimura: Which one?

Councilmember Kualii: And that is the case with all of these items on grant-in-aid?

Mr. Costa: Yes.

Councilmember Kualii: They are all going to community nonprofit associations.

Mr. Costa: Right.

Ms. Brun: Yes.

Mr. Costa: Various organizations. We either have their acronyms for those organizations listed.

Councilmember Kualii: And those are just groups that you have been working with over time or is there an application process? How are we making these grants available to communities? If somebody is wanting to apply for next year, obviously you have this year already done.

Mr. Costa: As I mentioned, we have these legacy projects and under the Administration section, we have emerging industry support and that is where as we go through the budget process, there is probably an organization out there that is looking for funds for projects, but did not present it to us prior to our budget. When they come forward and seek County assistance that is where we would use the fund. If it is a project that is worth looking at more than one year, we will consider that at that time.

Councilmember Kualii: Some of these line items, for example, tourism, other Hawaiian cultural projects, forty thousand dollars. The comment you made was that we may not even know at this time, so in essence you are budgeting that amount and that amount is available now for some community nonprofit that is doing a Hawaiian cultural project to come to you and fill out an application.

Ms. Brun: Some of these, the chunk ones like other Hawaiian cultural projects, special events and grants, and product enhancement, those are chunk moneys, so we do an RFP. We then have requirements on them. For cultural projects, we

have focused them on *moku* projects, but the rest are really open to pretty much anyone that can apply.

Councilmember Kualii: What was the third one you said?

Ms. Brun: The product enhancement.

Councilmember Kualii: The seventy-one thousand. So, those are all by RFP.

Ms. Brun: Yes.

Councilmember Kualii: What about the one right below, that sixty-five thousand.

Ms. Brun: That is special security grant. We have a listing that came from...

Councilmember Kualii: No, it says, "Special events."

Ms. Brun: For police, off-duty.

Mr. Costa: One is the match and one is the...

Councilmember Kualii: There is security in there.

Mr. Costa: Yes, production enhancement and then you get the match.

Ms. Brun: What happens is when we do our RFP's, we are looking for several different things. One being events and festivals, one is product enrichment sometimes it is trail enhancement because the trail is ruined, or a resource fix. If it is very cultural, for example, a *heiau* fix, then that would probably come out of the cultural project money. Basically, it is a huge RFP that goes out and fits in quite a few different areas and then whatever comes in we deviate out to where...if it makes it pass the selection committee, we deviate to the right line item, but those are the types of things we are looking at.

Councilmember Kualii: Besides those four, what other is not already spoken for and available by RFP? An RFP will come out and people can actually...

Ms. Brun: Those are the three.

Councilmember Kualii: One of them is not...which one is not. You said Hawaiian cultural projects forty thousand, Special Event Security sixty-five thousand, Project Enhancement CPEP seventy-one thousand, and Special Events and Grants sixty-five thousand. So, those four...

Mr. Costa: And then you have emerging industry support that is the one I started out with.

Councilmember Kualii: Forty thousand.

Mr. Costa: The fifteen thousand.

Councilmember Kualii: When you said earlier in your presentation something about *'ulu* and looking if we can develop an *'ulu* industry with flower and other products – where does that come in all of this?

Mr. Costa: Right now, that is coming in under the emerging industry.

Councilmember Kualii: Okay.

Mr. Costa: Working with the National Tropical Botanical Gardens.

Councilmember Kualii: Of that fifteen thousand dollars, National Tropical Botanical Garden has already expressed an interest in getting some of the fifteen thousand to do something with *'ulu*?

Mr. Costa: Right. That and the Native Hawaiian Chamber.

Councilmember Kualii: Right, you did mention the Native Hawaiian Chamber. Okay, thank you.

Committee Chair Kaneshiro: Can we stay on agriculture for now. I know we jumped around because...

Councilmember Kualii: The *'ulu* was not energy or commercial support.

Committee Chair Kaneshiro: I am not blaming you. A lot of the projects sometimes go together, but I want to try and get through agriculture. Do you have a question on agriculture?

Councilmember Yukimura: I do. The ninety thousand dollars is not going to be used for Ag production, it is going to be used for the Sunshine Market.

Mr. Costa: For that area.

Councilmember Yukimura: It is just going to be used to move the Sunshine Market, basically. It is not really an Ag park thing.

Mr. Costa: It is part of the Ag park.

Councilmember Yukimura: Well, it is not an Ag park.

Mr. Costa: It is part of the first phase.

Councilmember Yukimura: Okay, when you say that you just do what the community says, so that is how you run these grants that whatever the group says, you...you do not assert any kind of County interest in good planning or requirements for rigorous analysis and showing this is the best way to develop something.

Mr. Costa: Actually, we started the process in 2008. Working with the community, developing several plans, hiring Kimura International, which presented the plan back in 2009 to the Council and received approval. We have used that plan as a basis and then we...

Councilmember Yukimura: Was the Sunshine Market move in that plan?

Mr. Costa: Yes.

Councilmember Yukimura: Okay. And have you checked with...so when you say it is community, have you checked with the whole community: the businesses in Kilauea Town and all of those?

Mr. Costa: We have been having several community meetings since 2009.

Councilmember Yukimura: Alright.

Committee Chair Kaneshiro: Councilmember Yukimura, we went through this question earlier.

Councilmember Yukimura: Okay, right. On the Invasive Species – that is important because the damage done to Ag by invasive species is tremendous and extremely expensive. There is a real link to economic development. What is the proposal for this one?

Committee Chair Kaneshiro: Forty thousand dollars.

Councilmember Yukimura: I know, but for what?

Mr. Costa: To support all of those initiatives that we have been supporting, such as the coqui frog...there is a list and I can follow-up with the report that we received from Kaua'i Invasive Species. They send us an annual report on what they do with those funds and I all of the good things that they have been doing.

Councilmember Yukimura: I want to know what they are going to be doing with it for this coming year, for this budget item of forty thousand. Can you provide that?

Councilmember Kualii'i: It would be helpful if these descriptions were more clear and if they are also mentioned, if it is a grant-in-aid and if it is going to a community group like nonprofit, that it lists who that is. This Invasive Species is going to the group, right?

Ms. Brun: Yes.

Councilmember Kualii'i: And they have a big program with lots of money. This is just a small amount to help in all of that.

Council Chair Rapozo: Just something real quick, and only because we need to really look at the spending this year. I know these are recurring, so do they submit pre-budget, do they submit a request for funding or is this just something automatically fund every year and expect. What Councilmember Kualii'i just said, they have State funds, they get a lot of funds, and if we have to start looking at reducing. If this year, they can get by

without the money or reduced amount, I think...rather than just copy last year's budget...do they ask and send a letter?

Mr. Costa: They do. Specially for the Invasive Species Council, not only did we meet with them a few weeks ago to review their annual report and what they did, they will let us know on their continued work on the various areas that they deem are important. I can provide that to this body.

Council Chair Rapozo: I had a question on the EBT program. What does that money go to?

Mr. Costa: Paying for Mālama Kaua'i and staff that actually goes to the Sunshine Markets and they process the EBT. If you are a beneficiary, you get your card, you swipe it, they provide tokens to the beneficiaries and they use the tokens to go to the different farmers and purchase produce. The farmers, once they receive those tokens have to turn it in and they either get cash or check, if it is a large amount, Mālama Kaua'i would have to provide a check to the farmer. There is a lot of administrative duties that help pay for the fifty thousand throughout the year at the various Sunshine Markets.

Council Chair Rapozo: The EBT is like a debit card, right?

Mr. Costa: Right.

Council Chair Rapozo: That the State manages. That funds come from the State, right?

Mr. Costa: Right. The fifty thousand is just to pay for the staff to implement that at the markets.

Council Chair Rapozo: Do they have swiping machines?

Mr. Costa: They do. They actually have to register with USDA, get those EBT machines to be certified and then this funding helps to pay for those staff to go out to the markets every week, at the different markets, sit there, take in the funds, and they produce the tokens. They are out there in the markets.

Council Chair Rapozo: Got it.

Committee Chair Kaneshiro: Do we know how much money is going through that EBT program? Do they keep track?

Mr. Costa: Yes. We have a report.

Committee Chair Kaneshiro: Okay, I will look it up later.

Council Chair Rapozo: On page 2.

Councilmember Kualii: On the line item that is Kaua'i Grown for thirty-five thousand dollars, if that is a grant-in-aid, who is it granted to and how? In what increments and how does somebody apply for that?

Mr. Costa: That actually goes to the Kaua'i Farm Bureau, they administer the Kaua'i Grown program. Those funds will be going towards developing marketing pieces. When you go into Times or Sueoka, you will see the section where they have local produce and they will have Kaua'i Grown stickers and marketing. That is what that money is for.

Councilmember Kualii: So, that Kaua'i Grown is not our Kaua'i Grown. You know we have Kaua'i Made and Kaua'i Grown...

Mr. Costa: That is it, that is ours, but the Farm Bureau administers those programs.

Councilmember Kualii: I think of that as the Farm Bureau's Kaua'i Grown, but that is something they have just been doing awhile.

Ms. Brun: Yes.

Committee Chair Kaneshiro: We are going to take our caption break.

There being no objections, the Committee recessed at 2:41 p.m.

The meeting was called back to order at 2:51 p.m., and proceeded as follows:

Committee Chair Kaneshiro: We are in the agricultural section. We left off on the EBT program. For me, I am looking at it, we received eighteen thousand dollars in EBT transactions, but we pay fifty thousand dollars for the program. So, I know this needs to be done, but is there something that we should be doing or should we cut the program? When I look at it we can give these people twenty thousand dollars for free to buy free food and still save thirty thousand dollars as a County. Is this a program that we want to keep because it seems like it does not make sense to pay fifty thousand dollars for the program when we are only getting eighteen thousand dollars in fees and it is not even coming to the County. Their transactions are only eighteen thousand dollars. Are we planning to continue this?

Mr. Costa: Well, according to Mālama Kaua'i, they would actually like to increase the program at all the markets, but we basically looked at those areas that have the most EBT beneficiaries. The fifty thousand dollars of County funds that are spent to pay for Mālama Kaua'i and their staff, that eighteen thousand equates that go back to the farmers. Your point is well-taken. Is it economically sound-viable, probably not.

Ms. Brun: It is eight months though, that is not a full year. That is just current. They did shift markets because they were in the Kōloa Market and did not get a lot of EBT vendors there, so they keep shifting markets trying to find where the EBT users are actually shopping. They made this shift, and it started to raise their numbers because 2014-2015 was sixteen thousand dollars total and only eight months in, they are at eighteen thousand at the new markets that they are working in. They made an adjustment, but clearly we have to make more.

Committee Chair Kaneshiro: Or analyze and see if this is something we want to continue to offer because it is costing the County fifty thousand dollars. We do not get any of the EBT receipts for the produce and it is not even covering the cost of it.

Councilmember Yukimura: Do we not define their administrative costs and put them to certain targets of achievement of sales or transactions? I mean, we just give them fifty thousand and say, "Hey, you go and set up at all these markets." Do we have anything that says, "Forty thousand dollars shall be used," and what is the fair administrative fee?

Mr. Costa: They presented us with a budget on what it is going to take and you may recall that it was under another organization, which we paid eighty thousand dollars to do the same program. We reduced it to fifty, but we do have their budget and we see what it cost to administer the program.

Councilmember Yukimura: What does it cost to administer the program?

Mr. Costa: Right now, fifty thousand dollars to do it.

Councilmember Yukimura: No, it does not.

Mr. Costa: On an annual basis.

Committee Chair Kaneshiro: Let us not argue on it.

Councilmember Kualii: I just want to throw an idea out there. In this day in age, maybe the route to go is to change the route, and work with the farmers so that they themselves can take the EBT payment. If it means that they need a little machine or something, the fifty thousand dollars could probably cover the system for all of them, or at least the bigger ones that sell a lot of produce, so that the clients can go to all markets.

Ms. Brun: The tricky part is when they give out the coins to get the produce, the coins do not always come back and that is kind of where the organization that is doing the program, has to do the carrying. They are carrying until those coins come back. They need those coins to turn around and get the reimbursement from...

Councilmember Kualii: To get the coins, they are using their card, right?

Ms. Brun: Yes.

Councilmember Kualii: To eliminate the middle person that is trying to manage the program with fifty thousand dollars and just have the customers, the EBT users, go with their cards directly to the farmers. Now a days, everyone is having these little iPads with the little Square and there must be a system with technology and all that we could and probably should look in to. Possibly, we could be more effective for a similar cost or maybe even less.

Council Chair Rapozo: The problem is that it is not like a regular debit card. You have to go through USDA and that is the problem. They are not going to give the man who has one EBT transaction. I am not sure what is the better way, but I am in agreement with Committee Chair Kaneshiro. If you look at Kōloa at zero, I hope they are not going to Kōloa.

Mr. Costa: No, they stopped.

Council Chair Rapozo: Līhu'e and Kīlauea are probably the only two that are worthwhile.

Ms. Brun: Kapa'a, yes.

Council Chair Rapozo: I am sorry...Kapa'a and Kīlauea. Līhu'e is small. That is interesting. None of this money goes to the farmers. This is purely administration. The money comes from the program.

Mr. Costa: Right, the EBT program.

Council Chair Rapozo: This is strictly administrative.

Councilmember Chock: I like what the program stands for, but perhaps what we need to do is set the parameters of what will make it successful for the County in terms of numbers so that the provided can make the requirements for us to be satisfied.

Mr. Costa: As I mentioned, the other vendor was an eighty thousand dollars a year program and we looked at their situation and we said that we are going to have to reduce this. That is when they opted out. The only one left was Mālama Kaua'i.

Committee Chair Kaneshiro: You may end up saying the only place we are going to offer it is at the Kapa'a Sunshine Market, if that is something that is important because that is where the people are using the card. Or we could say that is not worth it for us to fund. Any further questions on this line item? We are still in agriculture. Do we have further questions on any of the other agricultural line items and this goes for grant-in-aid and other services.

Councilmember Yukimura: You said for your Ag grants, "We want to support as many Ag entities as much as possible." If you have any Ag groups that come and they make application for their money, you would put them in the budget here?

Mr. Costa: We try to.

Councilmember Yukimura: You see the goal of this County money through economic development as maybe just subsidizing different groups, like tropical, Ag, flowers, and the Cattlemen's Association – we would just be giving them money every year? Is that our role and purpose?

Mr. Costa: No, if they have a good mission and a purpose. The Cattlemen's Association, the slaughter facilities, it was determined early on, prior to my time that we need to help support the two remaining slaughter facilities to keep them compliant with USDA. The County helps to fund their improvements to keep them in compliance. At the time, it was deemed important to support. Same with the East Kaua'i Water Users Co-op. Each one is looked at and selected on the merit of their project and what they do for, not just for that organization, but for agriculture in general. If we have a different goal and we can take a look at all of these organizations that are funded here, and see if...if maybe money is spent well with one organization as opposed to a dozen.

Councilmember Yukimura: That is what strategic is. Depending on what your goals are, you support things that will get you the most bang for your buck or the most return

on your investment. Are you seeing this in terms of capital projects that build capacity, say, improvements to the meat processing/packing system or ongoing supporting operations?

Mr. Costa: It is a combination of both. Not so much operations, but more – what does that organization do? As I mentioned, the East Kaua'i Water Users Co-op, they maintain an irrigation system that also supports a wide area on East Kaua'i. As Councilmember Kaneshiro pointed out, having a list of who benefits from the fifteen thousand dollars would be a good thing. Same thing for the bee pollen, we support the local Kaua'i Beekeepers Association. There is some concern about the pollen and pesticides, so when an opportunity presented itself to do a study, see how it is affecting our beekeepers and the honey industry, we felt that was important at the time.

Councilmember Yukimura: For Ag parks, for example, I have always supported the development of Ag parks. The CIP park where we are going to create a park where there are lots for farmers to have access to land and water, but do you see ongoing support of operations of Ag parks?

Mr. Costa: Not so much Ag parks, but for this project, at least for the next 3 to 4 years, I see the County supporting this project to get it developed. As I mentioned, it is forty years in the making, we finally got it to this point, we looked at an eight million dollar price tag, and there is no way the County can fund an eight million dollars Ag park on seventy-five acres. Part of it was community discussion and decision to put it back in the community's hands let us help develop this Ag park.

Councilmember Yukimura: Have you considered or maybe you already require the groups that are working with you, to show a business plan which show some end point to County support where they are going to have a capacity to sustain themselves?

Mr. Costa: Yes.

Councilmember Yukimura: You do this?

Mr. Costa: Yes, same with the Kaua'i Creative Center, with the Food Production Center, with this Kilauea Ag Park.

Councilmember Yukimura: Where is the business plan? I have never seen the business plan for the Ag park.

Mr. Costa: It is being developed, so they are developing their business plan.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: I have seen the Creative Technology plan and I think it is a very substantial one, so I feel very confident about that project.

Committee Chair Kaneshiro: Requests like this, if you want to see what they are asking for as far as business plans, I think let us do that request separate. We have a lot more line items to go through and I want to try and get through more of them.

Councilmember Yukimura: Okay. The CEDS KEDB food Ag production forty thousand, is that considered under Ag?

Mr. Costa: Yes, that started with the commercial kitchen business incubator.

Councilmember Yukimura: That is the KCC commercial kitchen?

Mr. Costa: Yes.

Councilmember Yukimura: Right, and I have seen that and it is very well thought out. What is that forty thousand for? Is it for construction?

Mr. Costa: That is actually on the next phase. I mentioned that previously, those two projects: the Creative Technology Center and what started off as the Commercial Kitchen Business Incubator started at the same time from the CEDS. We have phased back one project because...

Councilmember Yukimura: I know that.

Mr. Costa: Okay...so, we are in the pre-construction design phase and the site location.

Councilmember Yukimura: Okay.

Mr. Costa: Chuck is working with KCC and the University of Hawai'i on the actual footprint where that facility is going to be.

Councilmember Yukimura: The forty thousand is for the pre-construction design and the fifteen thousand is for a business plan?

Mr. Costa: That is the Ag competition.

Councilmember Yukimura: That was extremely well done, so I do not have any problems with that. That is very capacity-building.

Mr. Costa: Right.

Committee Chair Kaneshiro: Any questions for the Economic Development plan?

Council Chair Rapozo: I have a process question. We have half an hour left and we have a bunch. Maybe if we can talk about the ones we have concerns about and not the ones that we do not.

Committee Chair Kaneshiro: I agree. Any further concerns? I am going to get rid of these CEDS line items also. Any other concerns regarding the Creative Industry or the Economic Development Plan? If not, we will move on. In looking at our sheet, we will go back up to page 93. Any questions on these film items?

Councilmember Kualii: What is AFCI?

Mr. Costa: It is the American Film Commissioners Institute. It is an annual tradeshow that not only the film commissioners as I mentioned, but also the who's who of the film industry, so you have movie production companies.

Councilmember Kualii: Okay.

Councilmember Yukimura: Is that an annual thing?

Mr. Costa: Annual, yes.

Councilmember Yukimura: What results came from the last annual one?

Mr. Costa: The last one was held in Los Angeles. It is our opportunity to meet with the other Counties and we go as a group, the Hawai'i Film Commission, and even though we present Hawai'i as a whole, this is the opportunity where the individual film commissioners do their...for the lack of a better term – their sale calls to the different production: Disney, Sony, and what have you, to sell Kaua'i. It is basically networking with the industry once a year. There are educational classes that are also held, which is a three day...

Councilmember Yukimura: I guess I would like you to say, "Well, we got the certain film to come" or "I met five developers that are going to come to Kaua'i for some tour," or something.

Mr. Costa: I have attended. Again, networking gets a lot of introduction to different film producers and it is usually the follow-up that takes place. I can tell you that when I was there last year, sixty business cards and the people that I have followed up with ended up in a call to Randy, or Art at the time, for a production. Usually those introductions are made, they are made aware of the Kaua'i film commission, and then the follow-up takes place.

Mr. Francisco: The Association of Film Commissioners International Tradeshow occurred before I came onboard; however, I can report that there were three who contact me at the time after the show that I have in my records.

Councilmembers Yukimura: Okay.

Mr. Francisco: One was a television series and the other was a reality show. The other is production that has been pushed back because they were also considering another location, but because of health reasons, they are looking to do their production here one hundred percent.

Councilmember Yukimura: Thank you. That is the kind of results I would like to hear.

Mr. Francisco: So, I am going up for my first one...

Committee Chair Kaneshiro: Thank you.

Mr. Francisco: ...next week.

Committee Chair Kaneshiro: Any further questions for the two Film line items on page 93? If not, we will move to the Energy line items. Actually, those may actually combining with the two on page 94 also. Let us try to get to the Energy and then we are not going to head back. I am just trying to get through these. Any questions on Energy?

Councilmember Yukimura: Yes.

Councilmember Kualii: What is the ninety thousand for?

Committee Chair Kaneshiro: What is that Sustainability and Climate Action Plan?

Mr. Costa: At this time I am going to call up Ben.

Committee Chair Kaneshiro: Just a brief description.

Councilmember Yukimura: Or something in writing, if you have it.

BEN SULLIVAN, Specialist IV – Energy/Sustainability: The proposal for the Climate Action Plan is for the County...it will be the first time that our office in quite a number of years, would be doing an outward facing effort within the community to do strategic planning around our entire energy systems. This includes all of our fossil energy uses and anything else that generates greenhouse gas emissions and there is several components that are really critical as far as year one, we see this as a two-year process, so the funding we requested here is for the first year of the two-year process. First, we really need to engage the community and develop partnerships and then talk about what the potential long-term goals are. At some point fairly early in the process after there is some community dialogue, we would be coming to this body likely to look for support and get approval of those long-terms goals so that we could then move into a more aggressive strategic session about how to actually achieve those goals. The way that money might breakdown and this is in development, but we are talking about potentially partnering with the University of Hawai'i Department of Urban and Regional Planning, so about forty thousand of that as we estimate right now would be used to support the plan and do a lot of the baseline work as far as looking at all the other existing studies and how they impact our overall greenhouse gas picture. We believe we need about thirty thousand dollars to have somebody locally on-island to support the plan and be really the lead person for the whole process. There is another twenty thousand dollars that we want to put into web development so we can get a lot of good information out across the community. Overall, this is really picking up the ball from the work that was put into and a lot of you were involved in that, into the Kaua'i Energy Sustainability Plan, way back in 2010. Our office has been focused very much on internal targets within the County and reducing our energy and we are happy to report that this is the second year in a row that we are using less energy and that trend is going to continue. We are at this point where we are ready to start looking outward.

Committee Chair Kaneshiro: Questions on this line item?

Councilmember Yukimura: You said it is thirty thousand dollars for a coordinator or project manager, twenty thousand for web development, and what was the other?

Mr. Sullivan: Forty thousand for gathering baseline data and research in terms of what other possibilities there are. It is the technical side of the plan to just get a foundation for it.

Councilmember Yukimura: What are the deliverables or outcomes that we can expect?

Mr. Sullivan: This is year one, so the outcomes would be a fairly robust web presence that was outward facing to the community as far as talking about the process and how they can engage and showing some of the engagement that happened. The other outcomes would be quite a number of community meetings and I am sorry, I do not have the specific matrix on that.

Councilmember Yukimura: That is not an outcome.

Mr. Sullivan: Community engagement would be a pretty valuable outcome, perhaps you disagree on that.

Committee Chair Kaneshiro: I do not want to have the argument here because we have limited time, but we can send them the questions in writing too, for more detail, because I know you have a lot more questions on it also.

Councilmember Yukimura: What is the two-year outcome? What is the ultimate outcome of this project?

Mr. Sullivan: The ultimate outcome is we have a plan that helps us move forward in terms of our decisions with regards to policy and with regards to projects on the island that will lead us towards reducing our greenhouse gas emissions to a level that is really appropriate. That is a decision that we have to make together, but how much (inaudible) is the question that we will be asking ourselves.

Councilmember Yukimura: Is the outcome going to be a draft plan that has to be adopted by the Council and the Mayor?

Mr. Sullivan: That seems likely, yes.

Councilmember Yukimura: Well you are proposing the project, so you must have an end goal here.

Mr. Sullivan: Okay, yes, it is.

Councilmember Yukimura: Is it a plan with policies?

Mr. Sullivan: It would be policy recommendations included in the plan.

Councilmember Yukimura: And so what happens in the second year?

Mr. Sullivan: We envision getting into more sector specific analysis, so the first year was broad engagement, and the second year we would get into the developing working groups to establish targets and then figure out how to implement those targets with regards to the various sectors that have a big impact. For example, electricity,

ground transportation, solid waste, food and agriculture, tourism are all areas that we feel that would be appropriate to target. There is a little bit of flex there. We have to figure out exactly how we want to shake that, but that is the general at this point.

Council Chair Rapozo: All these sectors target for what?

Mr. Sullivan: So...

Council Chair Rapozo: Just for the reduction of greenhouse gases, is that what this is all about?

Mr. Sullivan: It is the reduction of greenhouse gases, yes.

Council Chair Rapozo: And climate change.

Mr. Sullivan: Right, so there is also a component, which is obviously adapting to climate change and so part of that would certainly be...

Council Chair Rapozo: That is what it is called, "A County Climate Action Plan," but I have not heard you talk about that yet.

Mr. Sullivan: I am sorry, I do not understand your question.

Council Chair Rapozo: I do not understand either. I am just trying to figure out...I think like what Councilmember Yukimura is saying, "What is the outcome? What do we get?" What do we get when you target...developing sector specific (inaudible) electricity, ground transportation, tourism, agriculture, waste materials, management, and other key sectors in order to drive towards climate change mitigation targets. What does that mean?

Mr. Sullivan: We established targets for reducing our greenhouse gas emissions within all of those sectors that achieve the global scientific objectives for reducing greenhouse gas. Certainly, there is a large body of scientific evidence that says we have a greenhouse gas problem.

Council Chair Rapozo: And then there are some on the other side of that as well.

Mr. Sullivan: I would argue that there is not.

Council Chair Rapozo: Yes, I am not going to argue, I am just saying that...

Mr. Sullivan: There is no credibility on the other side of the argument. We are saying that we need to put a plan in place in order to achieve those objectives and that involves getting into detail in each sector and saying this is how we can reduce emissions in all these sectors. As an example, the electricity is doing well. We have some modest progress in the transportation sector as well, but we are not necessarily connecting that back to greenhouse gas reduction, we are looking at that in different ways. This plan would actually give us a global view of the entire island and how we can reduce our emissions as well...

Council Chair Rapozo: Is there some duplication though because we already have plans in reducing electricity and gas. We are doing that currently, right?

Mr. Sullivan: I would say that we are not doing that currently on a comprehensive way, but certainly, we have plans that...you are correct in that there are strategic plans for electricity.

Council Chair Rapozo: That is why I thought you were here.

Mr. Sullivan: That is exactly why I am here and that is what I am proposing.

Council Chair Rapozo: Okay, thank you.

Committee Chair Kaneshiro: Any further questions on this? I know we want to get moving and so if there are questions that we can write over also, that would also be helpful.

Councilmember Yukimura: Do you have your budget for the second year?

Mr. Sullivan: No.

Councilmember Yukimura: Okay, because I think we want to know when we make a commitment to funding that we are committing to the whole project.

Mr. Sullivan: Yes.

Councilmember Yukimura: We need to know what the second year cost will be.

Mr. Sullivan: Okay.

Council Chair Rapozo: And the third because apparently it is a three-year project, right?

Mr. Sullivan: Two-year project.

Council Chair Rapozo: That is what you said earlier, you said it was a three-year and this was the first year.

Mr. Sullivan: Two-year project.

Council Chair Rapozo: Two or three?

Mr. Sullivan: Two.

Council Chair Rapozo: And the second one is ninety thousand as well?

Mr. Sullivan: It is likely to be similar, but we have not worked out the details of the second year.

Council Chair Rapozo: I think you need to because you are asking us to commit to two-year funding, we need to know...

Mr. Sullivan: Fair enough.

Council Chair Rapozo: We need to know.

Mr. Sullivan: Yes.

Committee Chair Kaneshiro: Motor pool operating costs – what is that for? Thirty thousand dollars.

Mr. Sullivan: The thirty thousand dollars is to buy the...it is actually it is a year's fee to have hardware installed as well as the software service for motor management...is there some water around...I have a really bad case of dry mouth.

Committee Chair Kaneshiro: Is this a onetime fee or an annual fee?

Mr. Sullivan: It is annual fee.

Councilmember Yukimura: So, this is for that motor pool project that was proposed, was it, last budget?

Mr. Sullivan: That is correct.

Councilmember Yukimura: And so the outcome of that was going to be fewer cars to be purchased because we are going to be making better use of our existing cars by a motor pool that was going to optimize the use, right?

Mr. Sullivan: So, there are three objectives with the motor pool the first is better access to vehicles for employees. The second objective is to reduce the cost for the County in terms of vehicles owned and the third objection, which is more long-term is to better manage the overall efficiency of the fleet and be able to improve fleet efficiency with the data collected.

Councilmember Yukimura: Okay. Did we have thirty thousand for it last year?

Mr. Sullivan: We did.

Councilmember Yukimura: We heard earlier that there were problems in the implementation, right?

Mr. Sullivan: It was a pilot and we learned quite a bit, but I would not say that there were problems in the implementation as much as that we learned what we needed to learn in order to carry it forward. There is a lot of detail involved in that process and I am happy to share, if you have specific questions. One thing that did interrupt the project and we presented that earlier is that there was a change in ownership at the company that was offering the service and so that interrupted the pilot. We were intending to carry the pilot forward from six months and just continue on forward, after the success and not disrupt. Unfortunately, we had to delay or stop the system when that transaction happened and now what we are proposing is we are going to pick it up again and continue.

Councilmember Yukimura: We had to make alterations to the cars and somehow we affected other parts of the cars or something.

Mr. Sullivan: There was not any impact on other parts of the cars. There was an issue very early on with battery drain that had more to do with the fact that the cars were not being utilized than anything else, but that issue was largely resolved. Part of the thing that happens here is that we have a lot of cars and the reason we have a lot of cars is because everybody wants one and they are great to have just sitting around. We do not want to waste resources, but when you have cars located within each department, which is practically the only way to do it, there are going to be times when those cars are not in use because there are ten or fifteen people in a department and they have three or four cars and there is a lot of days that they do not use them. The system combines them all into one pool and makes them very immediately assessable to everyone; therefore, we can reduce the number of cars very substantially. That is where the savings come from. When you reduce the number of cars, you have less cars sitting on the lot with their batteries draining. That issue resolved itself as we make the motor pool smaller, which effectively gives us our savings and also solves the problems that we were having with the implementation.

Councilmember Yukimura: What have you learned from the implementation?

Mr. Sullivan: We have learned a number of things. First, one of the things that we are going to do when we take the next steps is we are going to have designated parking for the motor pool. It is very important for users and this may sound humorous, I do not know, but it is very important for users to be able to go out and find the car right away whereas if they just go out to the lot and they are looking for a car – will this one work, will this one work”...and it is in a sea of other vehicles. That is challenging. We need to have strictly designated motor pool only parking. That will help a lot. We need to have a reduced number of vehicles so that there are not cars sitting with their batteries draining because one of the compromises of this system, although it lets us own less vehicles is that ultimately also you end up in a situation where...you own less vehicles, so that is a good thing, but...I completely loss my train of thought.

Councilmember Yukimura: Well, I was asking about the lessons you learned.

Mr. Sullivan: Okay.

Councilmember Yukimura: And you said you learned that you should have designated parking and that you need to reduce the number of vehicles so you do not have cars just sitting around.

Mr. Sullivan: Right.

Councilmember Yukimura: Okay.

Committee Chair Kaneshiro: How much money have we saved with this program?

Mr. Sullivan: We have not been able to retire the vehicles because it was terminated. Had we been able to continue the program, we would save twenty thousand dollars a year, is our estimate, at minimum. That is a very conservative estimate.

We could likely say considerably more and that is twenty thousand on top of the cost, obviously, it is not just the only twenty thousand in savings.

Committee Chair Kaneshiro: So, we would save fifty thousand as an estimate. We are paying thirty thousand for the program, but we would have saved...

Mr. Sullivan: That is correct. That assumes we have about ten cars.

Councilmember Yukimura: Per year or just...

Mr. Sullivan: The way we estimated the cost savings was over the life of the car and making a payment against that, so yes, it is per year. Then there are other savings involved. Again, I would be happy to come back to this body to present a more in-depth presentation, but the savings included debt service on the car, maintenance, insurance, even though we are self-insured, we did put a value in there that was an approximation for insurance because we do have a cost for repairing cars when they are damaged. We have a number in here for parking because there is a space premium over there as well, so if we can reduce the numbers of spaces we need for County vehicles that is a benefit to us. That total benefit was over five thousand dollars a year per vehicle, so there is your ten vehicle, fifty thousand dollars.

Committee Chair Kaneshiro: We are getting close to the end. I think most of our questions are going to be related to these particular projects and grant-in-aid. Rather than do a call-back, I am going to ask that we try to get through what we can until 4:30, but if we have any particular questions on these individual line items, then we send it in writing and it will come back to all of the Councilmembers. When we look at this it is basically: what is the project and do we think it is a need or a want or something that we support and we will make the decision from there whether we want it or cut it? As we go through, I do not necessarily think we need George folks to come back and explain the projects. If we have a question on any particular project...we got through almost all of them. We have tourism left and a little bit of energy. If we need clarification on any of the other line items, we can transmit it through E-mail and our staff and get the answer back.

Councilmember Yukimura: I do not mind doing that. I am just thinking that once we get...because I am asking that for every project there would be a clear description et cetera, if we have questions about it, you are suggesting that we do another round of written questions?

Committee Chair Kaneshiro: The written questions will come now, for example, if you have a question for them to provide all the goals for every single line item, I would say maybe if you could separate it to...

Councilmember Yukimura: Not goals...well, I do want to know what the purpose of the project is.

Committee Chair Kaneshiro: Right. Rather than influx them with...there are some projects that we already know what it is for and we are comfortable with it and you may want to see the goals on that at some time, but it may not affect your decision on that particular line item...if we can put it on the side and have them answer projects that we probably get to now and you want to hear goals on that. Let us prioritize our questions because this is probably the first Division we did not get through everything, but I want

everybody to get a fair chance in getting their answers back. I do not want to bombard them with, "provide the goals for every single project." Let us be more like, "Here is a priority project we did not get a chance to hear and I want to know what the goals are on them for me to make a decision." These are the projects that I am not sure that I am not completely in support of yet and then Councilmember Yukimura, if you have questions on other goals that projects that we are comfortable with, but you still want to know what the receivables are, we will keep that one separate.

Councilmember Yukimura: I am fine with limiting myself to the ones that are in question, but I am kind of...I approach it with a zero base thing too and there are many that I am going to be asking about. My question is once they come back with the information and if there are further questions, how do we do that?

Committee Chair Kaneshiro: You would resubmit the question to them. Ultimately, we are trying to make the decision on if this is something I am comfortable with or not. If you are not comfortable with their answer, you send it back. If you are comfortable with it, you will not send them back any more questions, but if you are not comfortable with it and thinking of cutting the project, then you would continue to ask further questions about it.

Councilmember Yukimura: Not necessarily.

Committee Chair Kaneshiro: Well, if you are comfortable with it and you want more information, then we can have this discussion another time in a Committee Meeting.

Councilmember Yukimura: I am not even talking about the ones that I am comfortable with anymore, I am following your guidance to do it with the ones that I am not comfortable with.

Committee Chair Kaneshiro: The ones you are not comfortable with, we are going to have to make a determination whether we want to fund it or not.

Council Chair Rapozo: It is almost 4:30. That took five minutes.

Committee Chair Kaneshiro: But it will not take a call-back.

Council Chair Rapozo: Normally, we get this left right here. A lot of this stuff is stuff that you have funded in the past, so I think like you said, it is not different or new. The KVB consumer promotion, I thought we had a breakdown from KVB and the years past as far as the breakdown of those funds. Do we have one this year? You did not submit it though.

Ms. Brun: Is it not in there?

Council Chair Rapozo: Did I miss it?

Mr. Costa: We have the breakdown and can provide it to you.

Council Chair Rapozo: We do not have to get it now, but is it broken down as to what the budget for that is? Okay.

Councilmember Chock: The airport greetings, I know that we have been going back and forth with the State in trying to substantiate the budget. I know they have money for the airport. Is the twenty-five thousand dollars a decrease from previously?

Ms. Brun: It is the same. We have been doing the twenty-five thousand and the State instead of giving it to us, which is what they used to do; they now provide the same thing we do on the other day. We do half of the days and they do half of the days that is kind of how that worked out. On top of that, HTA ended up giving us money to do harbor greetings, so we expanded into that area as well.

Councilmember Chock: Okay.

Councilmember Kualii: By greetings, do they mean music in the airport?

Ms. Brun: Yes.

Councilmember Kualii: Okay. Why does HTA not fund this all the time?
Or KVB?

Mr. Brun: They do. What happened is HTA used to give it to us for the airports and the harbors and then what happened was they pulled out and they decided to do one contract with VIP services. VIP services are servicing all the islands and goes through a different route and so that money gets distributed through VIP services, in addition to what we do. They lowered the amount and we came in with the balance, but we have to run a separate program.

Councilmember Kualii: I think it would be interesting when we are coming in with the balance to see what the big picture is, so we know that we are just putting a small part to what the whole thing...yes.

Ms. Brun: Okay.

Councilmember Kualii: Did we finish the energy part already?

Committee Chair Kaneshiro: I probably interrupted a portion of it.

Councilmember Yukimura: I have a question on energy.

Councilmember Kualii: What is the forty thousand consulting services - that is to do what?

Mr. Sullivan: The forty thousand consulting services is not currently targeted for a specific project. We have several larger projects that we work with other agencies on and very often there is an opportunity to save significant energy that when they are building up their project did not get considered or the scope of one of their contracts. We use that money to get something in, in a timely way that allows us to get substantial energy savings. It is certainly a discretionary and I certainly appreciate that you need to scrutinize it. One of the examples of utilizing those funds was with the waste characterization study being done by the County. We are working now with Solid Waste Division to get better data on how food waste is generated around the island, so we can get a better handle on how we can reduce that. The scope was not as comprehensive, but because we are also working with them on a food waste diversion program and the possibility of (inaudible) wastewater

plans, that was additional information we needed. Those funds were very useful in that regard. Again, that just gives us flexibility when there is an opportunity such as that.

Councilmember Kualii: Under grant-in-aid?

Mr. Sullivan: Is it under grant-in-aid?

Councilmember Kualii: Yes. Odd place.

Council Chair Rapozo: My last question for today, under the Sports Marketing, I noticed that there were reference to the Kaua'i Marathon. We are not funding Kaua'i Marathon.

Mr. Costa: No.

Council Chair Rapozo: I saw that we were are going to promote some kind of half marathon.

Mr. Costa: This would be Art working with our Japanese sister cities and others to generate more interest for Japanese runners to come to Kaua'i to participate in the Kaua'i Marathon. That is one of the projects.

Council Chair Rapozo: Okay.

Councilmember Yukimura: I want to ask about golf marketing because we have a really good report about...and this is not Japanese marketing, but the Wailua Golf Course and how their participation in your tours...and they did not have any specifics about the results or outcomes. I wondered if you could make that available. In that context, I want to say that your results from your website partnership with the Royal Coconut Coast is extremely impressive and it is very gratifying to see that there were actual increase in rooms booked. Ninety-seven percent increase for the five properties on the east side of the island, just tremendous, and this is the kind of results, whether good or bad that we would like to see from all your programs. That kind of specific reporting, but back to the Wailua Golf Course and then I do have a Japanese golfing question...were there specific concrete results that we got that you folks have?

Ms. Brun: I have not pulled the recent numbers. We started pulling it last year. We kind of went down and looked at visitor rounds at the golf course and they were up. I can provide that. We were regularly going back and forth. The number has definitely gone up and the marketing is working. There is a lot of interest to the point where we can even show you how many times Wailua has been mentioned in articles. They have actually taken...

Councilmember Yukimura: That would be good.

Ms. Brun: They have taken precedence over some of the other courses sometimes, so it is a nice share.

Councilmember Yukimura: Good exposure.

Ms. Brun: Good exposure and great partnership. We did not know if it would work with the private golf courses, but it has worked really well. They all provide something totally different, but I can provide that.

Councilmember Yukimura: That is very good.

Councilmember Kualī'i: The tourism visitor industry plan monitoring, did you say what that was for twenty-five thousand dollars? Who is that being...

Ms. Brun: We have been monitoring for three years. This will be our third year.

Councilmember Kualī'i: But when you say, "We," have been monitoring...

Ms. Brun: Kaua'i Planning Action Alliance is our...

Councilmember Kualī'i: KPAA consultant for...that is the grant-in-aid.

Ms. Brun: Yes.

Councilmember Kualī'i: Okay. And this is the third year of three years you are saying?

Ms. Brun: Yes. Right now, we have seven committees that have (inaudible) working on seven of the highest priority items for problems with tourism.

Councilmember Kualī'i: When do we see any kind of report?

Ms. Brun: June.

Council Chair Rapozo: Was that a 3-year contract?

Ms. Brun: It is not a 3-year contract. Each year we just ask for it. Our plan was to do it for three years and then on the third year we had to actually totally look at a new strategic plan. We did not feel we needed to originally because all the same problems that existed with the original plan are still in existence now. We just had to reprioritize and actually have some action. That is when we struggled in the first plan.

Council Chair Rapozo: How much did we spend last year on that?

Ms. Brun: I think it was about the same or maybe went up one thousand dollars each year.

Council Chair Rapozo: What happens if that does not get funded?

Ms. Brun: Well, we do not hire KPAA. We will try to do it in-house. That has not proven to do very well in the past.

Committee Chair Kaneshiro: And you said it was the last year we are going to be asking for funding for this particular...

Ms. Brun: For the action plan. During this year, we are going to be looking at whether or not we need to actually do a whole other strategic plan.

Committee Chair Kaneshiro: Which would be another amount to KPAA?

Ms. Brun: Probably. If we need to, but if not, we will just carry it on.

Committee Chair Kaneshiro: With that, I think that will be the final question. Councilmembers, I apologize if we did not get through everything, but please submit your questions through E-mail. With that, I would like to recess the Departmental Budget Reviews.

There being no objections, the Departmental Budget Reviews recessed at 4:35 p.m.